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UNEMPLOYMENT RELIEF

HEARINGS

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY
HOUSE OF REPRESENTATIVES

SEVENTY-THIRD CONGRESS

FIRST SESSION

ON

H.R. 4606

A BILL TO PROVIDE FOR COOPERATION BY THE FEDERAL GOVERNMENT WITH THE SEVERAL STATES AND TERRITORIES AND THE DISTRICT OF COLUMBIA IN RELIEVING THE HARDSHIP AND SUFFERING CAUSED BY UNEMPLOYMENT, AND FOR OTHER PURPOSES

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UNEMPLOYMENT RELIEF

TUESDAY, APRIL 11, 1933

House of Representatives,
Committee on Banking and Currency,
Washington, D.C.

The committee met 11 a.m., Hon. Henry B. Steagall (chairman) presiding.

The Chairman. Gentlemen, we have invited Senators Wagner and Costigan to discuss with us the bill (H.R. 4606), introduced by Mr. Lewis, to provide for cooperation by the Federal Government with the several States and Territories and the District of Columbia in relieving the hardship and suffering caused by unemployment, and for other purposes.

I will now ask Senator Wagner to make a statement to the committee.

STATEMENT OF HON. ROBERT F. WAGNER, A UNITED STATES SENATOR FROM THE STATE OF NEW YORK

Senator Wagner. Mr. Chairman and gentlemen of the committee, I want to thank you for the invitation to appear. I did not want it to appear that I was attempting to press the consideration of this legislation this morning, although I would like to have it very much. I am here at the invitation of the chairman.

The Chairman. I felt that the committee would like to hear the Senators discuss the bill, and I called them over here for that purpose.

Senator Wagner. I have not organized any of my thoughts, really, so as to present this question as connectedly as, perhaps, it should be presented, and I will have to amplify whatever I say. However, I do not think that anybody denies that legislation of this kind is very necessary now to supplement the efforts of the States and communities to see that their citizens do not go hungry or unsheltered. The situation in the country, so far as the necessity for relief to the destitute and needy is concerned, is of course worse during this last year. There is no doubt whatever about that. I think no one is likely to question that at all. I mean by that that the States and the subdivisions of the States are not able now to meet the terrific burden which is being put upon them to take care of the unemployed. This has been the fourth winter, and each month more unemployed are being added to the roll. More unemployed are being added each month to the lists of those communities which have exhausted all of their resources, and which, therefore, cannot longer give aid.

People who have been extending aid from their resources can no longer do so, because they in turn have been suffering, too, and are compelled now to forget all their pride and apply for public relief.

The figures show that for this past year between 80 and 90 percent of the relief that has been given has come from public sources. The private sources have been exhausted to the point where they are almost helpless.

Mr. KOPPLEMANN. When you speak of public sources, do you include the community chests?

Senator WAGNER. No; that is treated as private. I am speaking simply of appropriations out of the Public Treasuries of States, municipalities, and the Federal Government. The figures show that 89 percent of the money spent for relieving this situation has come from public sources. The Reconstruction Finance Corporation, which has had the administration of the fund which we provided last year, and which amounted to $300,000,000, shows that of that amount only $60,000,000 are left. That money will be exhausted by May 1; so that if we are to continue to supplement the funds of the States, we will have to make an additional appropriation that may be ready by May 1. That is the reason for the necessity for rather quick action as to this legislation.

I think it is proper to say that this bill has the approval of the President of the United States. As a matter of fact, some of its provisions were suggested by him.

The bill provides for an appropriation, or, perhaps, an authorization, if I am to speak technically, for the Reconstruction Finance Corporation to provide a fund of $500,000,000, which fund is to be administered by an administrator appointed by the President, with the advice and consent of the Senate. In that regard, the administration has been changed. The President thinks that this is more of a social problem than a mere banking problem, and that therefore it should be separated in its administration from the Reconstruction Finance Corporation, which has dealt primarily with financial questions relating to banks, railroads, and matters of that kind. It was felt that this fund should be administered by a person having knowledge of the social conditions throughout the country. That person is to administer it solely.

Mr. CROSS. If it would not bother you, I would like to interrupt you there.

Senator WAGNER. I have no objection.

Mr. CROSS. I notice that the bill, where it deals with the administration of the fund, provides that the administrator shall be appointed, but that all the other appointees are to be under the civil service. Are all of them to be under the civil service?

Senator WAGNER. Wes.

Mr. CROSS. Do you think you could find men peculiarly fitted for this work on the civil-service list, or would it be well to allow it to be discretionary as to whether they come under the civil-service regulation, or are to be appointed otherwise?

Senator WAGNER. The administrator can appoint experts without reference to the civil service, but as for the ordinary employees, such as stenographers, clerks, and so forth, we think they can be obtained from the civil-service list.

Mr. CROSS. The experts do not have to be employed under civil-service regulations?

Senator WAGNER. No; they do not.

This bill is different from the bill that passed last year in that in the other bill we provided for loans to the States, which money, as you remember, was to be subtracted from the funds coming to the States from Federal aid to State highway funds. I think one fifth was to be deducted each year over a certain period until the entire sum was repaid. Now, this is an outright grant by the Federal Government to the States, because it is regarded, and I think properly so, as a Federal function or a Federal obligation to help the States in that particular at the present time.

Mr. CROSS. I would like for you to discuss these provisions under which $200,000,000 are to be handled in one way and $300,000,000 in another way.

Mr. KOPPLEMANN. What section is that?

Mr. CROSS. That is under section 4 (b) and section 4 (d).

Senator WAGNER. $200,000,000 is provided in such a way that a portion of it may be used as a sort of matching fund, the purpose being to induce the States to do their utmost to collect funds out of their own people. As an inducement to do that, we say to them, "We will give you at the expiration of three months outright one third of the amount that you expended out of your own State funds to aid unemployment during the prior three months."

Mr. CROSS. One third of the amount that they expended during the 3 months prior thereto?

Senator WAGNER. Yes. We give them one third in addition to what they would have for the following 3 months as aid.

Mr. HOLLISTER. That extends only to October 1, does it not?

Senator WAGNER. That is discretionary with the President. It may be continued if the President thinks that it is working well in the way of inducing States to collect funds in their own localities. The President may continue that system of matching funds until the $200,000,000 is exhausted.

Mr. KOPPLEMANN. What do you mean by the States collecting funds? It does not mean that they have to go out and collect it, does it?

Senator WAGNER. No. We say to the States, "We will give you one third of whatever you expended during the prior 3 months' period." There is a provision in the law of New York State under which the communities get a certain percentage from the State of whatever they spend for these purposes during the prior 3 months period. That plan is working well. It is putting the communities on their toes, and they have been doing their utmost to meet their obligations in the following 3 months so as to get that contribution of one third.

Mr. KOPPLEMANN. In New York, is that an outright grant to the communities?

Senator WAGNER. Yes; it is an outright grant to the communities.

Mr. GOLDSBOROUGH. What percentage of this fund do you anticipate will go into the cost of administration?

Senator WAGNER. Of course, that matter is entirely up to the administration. It is up to the administrator of this fund. He can prescribe the terms on which the grants are made, and he can limit the amount which may go into administration costs.

Mr. CROSS. I am sure you have given this matter close consideration, and that is an important factor.

Senator WAGNER. Yes; there has been some abuse in that direction.

Mr. CROSS. You have some views about that feature of it, and I would like to hear you on that.

Senator WAGNER. You are speaking now of the administration of the funds by the States?

Mr. CROSS. Yes, sir. Of course, you have given some consideration to that question.

Senator WAGNER. Yes. The idea there is that after the funds go to the State, the administrator should see that it is not used to pay political followers, or to spend it that way rather than spend it for the relief of the needy and destitute.

Mr. GOLDSBOROUGH. You have had that in mind?

Senator WAGNER. Yes. There is no doubt that if we have an able administrator, he will not only limit the funds that may be used for administration purposes, or the portion that may be used for administrative purposes, but he will know exactly what is the efficiency of the administration within the State.

Where the administration is not efficient, he may suggest changes so as to make it more efficient. If we get a man of experience in that position, of course, that will be done. I think the President has that in mind, and that he will appoint somebody who has had long experience in this character of work.

Mr. CROSS. It is not to be used for political purposes within the State?

Senator WAGNER. No.

Mr. CROSS. As for this money that is to be given the States, I am sure that my State, Texas, would far prefer that the money be spent in work on their rural highways. I am sure they would prefer to have both the money they raise and the one third that is matched by the Federal Government, used in rural highway work, so as to let the men have the feeling that they are doing something for what they receive, rather than that they are being fed like mocking birds. It would be better if they had the feeling they were earning it, so as to maintain their self-respect. If there was some such provision in the bill so that the administrator would have the power to do that, I think it would be a good plan.

Senator WAGNER. That may be done under section 4 (a), which provides—

> Out of the funds of the Reconstruction Finance Corporation made available by this act, the administrator is authorized to make grants to the several States, to aid in meeting the costs of furnishing relief and work relief in the form of money, service, materials, and/or commodities to provide the necessities of life to persons in need as a result of the present emergency.

Mr. KOPPLEMANN. In view of your knowledge of the situation in New York, and your long study of this question, I would like to ask you some questions. As I understand it, there are agencies already existing in every State for this purpose that could administer this fund without cost to the State. There are agencies who could be put to work on this, and there are committees now formed to which men and women would be glad to be appointed to serve without pay, so that the only cost might be for clerical services in order to carry out the purposes of the act. Now, it seems to me that we ought in some way to provide that the States be not permitted to spend any money for administration purposes, aside from clerical assistance.

Senator WAGNER. I would be afraid of making an absolutely inflexible rule as to that, because from the debate in the Senate it appeared that in some States they have gotten to the point where they have had to use a portion of the money for the administration of the fund. That is where the State has become pretty desperate. Let me say this, that experience has shown very few abuses of that kind within the States.

Mr. KOPPLEMANN. Where an agency is already established, and in existence, could it be provided that none of this money should be used for administrative purposes? I have in mind a situation in my own State, where funds were used for political purposes or for patronage.

Senator WAGNER. The administrator would have the power to make conditions absolutely as to the way in which the money shall be spent, and, in addition to that, he would have power to make investigations and studies. That is provided for in section 3 (c), as follows:

> In executing any of the provisions of this act, the administrator, and any persons duly authorized or designated by him, may conduct any investigation pertinent or material to the furtherance of the purposes of this act and, at the request of the President, shall make such further investigations and studies as the President may deem necessary in dealing with problems of unemployment relief.

That gives him the power to investigate. Of course, you have got to have somebody to administer it.

Mr. KOPPLEMANN. My suggestion was that if there was some way by which it could be covered——

Senator WAGNER (interposing). I will say this, that in my own State, and in nearly all the States, there is no abuse in the administration of these funds. There are many volunteers within the State who aid in the distribution of the funds. Except in rare cases, I do not think there is any abuse in the distribution of this money by the States.

Mr. LUCE. Senator, will you refresh my memory as to the $300,000,000 fund, which you said was nearly exhausted? Is that the original capital of the corporation?

Senator WAGNER. No. As you will remember, the Reconstruction Finance Corporation was authorized to issue bonds, or debentures, as I believe they were called, to the amount of $300,000,000. That money was set aside, or earmarked, for relief distribution purposes. It was to be loaned to the States or advanced to the States, and paid back by a reduction from their portion of the Federal-aid State highway fund over a period of years. In addition to that, under that act, municipalities were authorized to borrow on their security from the Reconstruction Finance Corporation.

Mr. LUCE. This, as I remember, will be the first proposal to come before the committee where it is contemplated that the Federal Government shall give the money outright to the States.

Senator WAGNER. Yes.

Mr. LUCE. Now, the Reconstruction Finance Corporation was conceived as an agency for borrowing money to lend, and this is the first departure from that principle that has been proposed.

Senator WAGNER. Yes; and we have to do a lot of things when emergencies exist.

Mr. LUCE. Under section 2 (b), the Reconstruction Finance Corporation may borrow $500,000,000 more: How is that money to be ultimately repaid?

Senator WAGNER. By the Federal Government.

Mr. LUCE. That is, by the taxpayers?

Senator WAGNER. Yes; there is no doubt about that.

Mr. LUCE. Why do you think it would be desirable to change our old system by having the Reconstruction Finance Corporation to take any part in the dispensing of charity by the Government?

Senator WAGNER. That is not a part of the current expenses of the Government, but it would be an emergency expenditure. Therefore, it does not belong in the Budget which is provided for the current running expenses of the Government.

Mr. LUCE. Why not? We have again and again appropriated money for relief in emergencies arising from acts of God, tornadoes, and disasters of all kinds. We have frequently made direct appropriations for those purposes. Why should we put this through a borrowing agency?

Mr. GOLDSBOROUGH. We gave $20,000,000 to Russia straight out.

Senator WAGNER. This emergency provision is one that will probably continue for some time. I think it would be more satisfactory to handle it through the Reconstruction Finance Corporation, which is an agency that has already been created, than to create a new agency for the purpose.

Mr. LUCE. You do not need a new agency for the purpose. You have the Secretary of the Treasury who can pay over the money, just as has always been done in the case of disasters.

Senator WAGNER. This is simply the method that is used. Of course, it ought not to be paid out of current expenses. The taxpayers should not have to pay all of it in that way.

Mr. LUCE. But the Treasury could borrow the money just as is contemplated here.

Senator WAGNER. This is the method that has been used in the past.

Mr. LUCE. This method has not been used before.

Senator WAGNER. We employed this method of using the Reconstruction Finance Corporation as the fiscal agency rather than the Treasury of the United States.

Mr. LUCE. It was used as the fiscal agent for the purpose of borrowing money. That was the proposal, just as was done in the case of the War Finance Corporation. You are no grafting upon its powers, and diverting it from its original purpose, without accomplishing anything that I can see. You are proposing to do indirectly what has been done directly, under the uniform practice of the Government, through the Secretary of the Treasury.

Senator WAGNER. Of course, there was a very definite opinion among Members of Congress as to the appropriation of $300,000,000 which was to be advanced and which was to be repaid by deductions from the Federal aid State highway funds, that the repayment would never take place, so that in effect, that $300,000,000, if we look at it realistically, was a gift to the States, just as this would be. This is more realistic than the other.

Mr. LUCE. You are asking the Federal Government to give away $500,000,000.

Senator WAGNER. Not to give it away, but to use it for relief purposes.

Mr. LUCE. I am not talking about the purposes of the measure, but about this method of transacting public business. I was trying to ascertain what good would be accomplished by having it done indirectly.

Senator WAGNER. That is the only reason for it. This being an emergency expenditure, it should be separated from the current ordinary Budget, as we understand it. It was deemed advisable to keep the distribution of the fund where it has been from the beginning, in the Reconstruction Finance Corporation.

Mr. LUCE. The Reconstruction Finance Corporation has never given away a dollar.

Senator WAGNER. Not if you speak technically, but they have if you speak realistically.

Mr. LUCE. I am not so sure about that.

Senator WAGNER. We are dealing with an entirely different question now.

The CHAIRMAN. Before you leave that subject, there is this to be remembered, and that is that the Reconstruction Finance Corporation was authorized under the act to borrow from the public, and theoretically that is the method by which we attempt to raise the funds provided for under this bill. I will say in that connection that so far the Reconstruction Finance Corporation has not borrowed under that plan, but the funds they have had up to this time have been supplied by the Treasury.

Mr. GOLDSBOROUGH. That is true.

The CHAIRMAN. I assume it is contemplated that there may be a change in that regard.

Mr. LUCE. Have we gone beyond the original authorization of money from the Treasury? Was not the borrowing power to be applied when they had exhausted the Government's investment?

The CHAIRMAN. We supplied the initial capital out of the Treasury, and then authorized this expansion. We have continued or have allowed an additional authorization under the expansion bill. I have almost lost track of it, but I believe that the total loans now amount to $3,800,000,000. It was contemplated that the fund, after the initial capital of the corporation, should be obtained by securing obligations and selling them to the public. Unfortunately, that has not been done, it seems, up to the present.

Mr. LUCE. Senator, I would like to address some questions to you in behalf of a very small minority of the Members of Congress. So far as I know, Mr. Beck and myself are the only Democrats remaining in this body. I will admit it, Mr. Wadsworth. I am speaking of those in the United States who believe in the Federal form of government and who believe that State responsibility was the greatest gift that the fathers gave to this Nation, and who believe that the gradual chipping away and destruction of State responsibility is a most ominous thing.

Now, you come from the richest State in the Union, and ask us representing the Nation to give you this money. The only other people we have had here so far making that request were from what I presume is the second richest State in the Union, the State of Illinois. They came on bended knees, begging us to let them have Federal

money. I am from Massachusetts, and I am proud of the fact that my State has refused to come to the Federal Government and ask for a single dollar. I think my State is right, and I am going to back up my State in that position, by protesting against the transfer of local responsibility to Washington. Pray, sir, how do you, as a Democrat, from the rich State of New York, meet that criticism?

Senator WAGNER. I do not come here as a Democrat, nor do I come here as just the representative from my State pleading for something that the State wants. I come here as one interested in the people of the entire United States. In the consideration of this question, I have never thought in terms of local or provincial considerations. I believe that it is the function of the Federal Government, where the States are unable to meet the burden, to see that our people do not starve, or that they are not compelled to go unsheltered. I think that transcends any small narrow political consideration.

It so happens that the State of New York will not apply for this aid. I do not think that we can consider this situation in State terms. State lines are not economic barriers today, and this is an economic question. If the people of New York stopped buying automobiles, people in Detroit would be thrown out of employment. That is not something that they would be responsible for, but it is due to the depression, and we are all responsible for it. I think we ought not to get into a philosophical discussion of State rights or Federal rights in this connection, but we must look at this situation realistically, because the States are not able to meet the situation. If they are not able to meet it, we must help them, because it is as much a matter of national concern as of State concern that people are protected against starvation. That is the viewpoint from which I have considered it, and from which I have been studying it. Forty States have already applied to the Federal Government for aid. They have not come here because they wanted to take advantage of the Federal Treasury, but it is because they must have relief. It is not a question of whether one group of taxpayers pays for it, or another group; whether one group of taxpayers or another pays it, does not matter, because all of it is paid by the taxpayers of the United States.

The thing that we ought to ascertain is this: "Is this State able to meet the burden?" Now, if the State cannot meet the burden, are we ready to stand here and say if they cannot meet the burden, their people must starve? I can conceive how you represent a very small minority in this body if you take that technical view of the situation. I appreciate that you are just as human as anybody else, and that you do not want to see people starve, but this is no time for the forensic discussion of beautiful questions. They were all right in themselves when the center of the stage was not taken up with economic questions. We are up against that question now. As for New York State, they pay 28 percent of all the money that goes into the Federal Treasury, and, therefore, we are quite unselfish in advocating this measure, and that this fund should be used throughout the United States.

I have been advocating this for 3 years, and my State returned me by an unprecedented vote. Apparently, they were in agreement with me in these efforts to help those who are suffering through no fault of their own. I do not want to do it today, but I will meet you sometime, somewhere else, and discuss the question of State rights and Federal rights, but not when people are starving.

Mr. BUSBY. May I ask a question in connection with the parliamentary situation? Shall we continue the hearings now or later, to give other Members who may desire to do so, an opportunity to go into some fundamental matters as to the issuance of the securities, how the money is to be raised, and who is going to get the profit out of the handling of the deal?

Mr. BEEDY. Do you not know that?

Mr. BUSBY. I know it, but I want it in the record.

Senator WAGNER. I do not know what deal you are talking about.

Mr. BUSBY. I will call it a proposition, if you want to call it that.

Mr. LUCE. You have given us a hard philosophy; I am anxious for that to be clear.

Senator WAGNER. I hope I was not offensive.

Mr. LUCE. Not in the least.

Senator WAGNER. Perhaps I said more than I should.

Mr. LUCE. I suggest that every man here is in disagreement with the voters of his State in some particular, and that our reelection does not indorse all of our principles.

Senator WAGNER. Except that during the campaign I talked a good deal about this.

Mr. LUCE. During the campaign I talked a good deal about a subject which did not please many people in my district, but they gave me a majority and sent me back here.

Senator WAGNER. They did a wise thing, I am sure.

Mr. LUCE. I agree with you. [Laughter.]

Let us get to some practical considerations.

Senator WAGNER. That is what I am advocating.

Mr. LUCE. Your State pays 28 percent of the Federal revenue. How do you justify going through the process of having the Federal tax collector gathering money in your State, bringing it to Washington, and sending it back to your State?

Senator WAGNER. Of course, it is another group of taxpayers that the Federal Government is able to reach that States and municipalities are not reaching.

Mr. LUCE. You have a legislature that can reach those people.

Senator WAGNER. Yes; but you know the Federal Government has invaded many of the areas of taxation in the States, and the States, because of prior action of the Federal Government are practically foreclosed from securing money from those sources.

Mr. LUCE. But the adjoining State of Massachusetts does it; why can you not do it?

Senator WAGNER. Massachusetts has not had, thus far, to borrow, and those who are unemployed and suffering are well cared for in Massachusetts, I hope.

Mr. LUCE. We are talking about methods, and the most economical way of meeting certain ends.

Senator WAGNER. You know most of our municipalities rely for their revenue entirely on what they get from taxes upon real estate, and taxes upon real estate cannot go any higher than they are; they have just about reached the breaking point in the municipalities and States.

Mr. LUCE. But in the adjoining Commonwealth the thing is done.

Senator WAGNER. As I say, I hope they are all cared for as they should be.

Mr. LUCE. I hope so. It is a matter of method. The Federal Government can borrow money at a lower rate of interest than a State. Do you think that is a thing that is of sufficient consideration for following a roundabout course?

Senator WAGNER. No—it may be a consideration, but if it is purely a burden that ought to be carried by the States, that is of no concern to the Federal Government, then the question of whether the Federal Government can borrow money cheaper, would not enter.

I contend it is not exclusively a State function. All of these people are citizens of the United States.

You say we ought to be practical. The practical question is whether the people are suffering, whether the State can carry the burden. If the State cannot carry the burden then the Federal Government must supplement the efforts of the State.

What is government, if it is not to protect its citizens? It is our fault that these people are suffering. We have so mismanaged our whole economic affairs as to throw them into this situation of unemployment. They want to work, but they cannot find anything to do because we have not planned. We have been haphazard, and through our mistakes they are suffering. They ought not to be compelled to go through this situation to the point of starvation.

Mr. LUCE. You say the State of New York cannot feed its own people?

Senator WAGNER. I did not say that. I said if it cannot, it is entitled to aid from the Federal Government.

Mr. LUCE. I am asking you to show why New York cannot do it.

Senator WAGNER. It has had to make application to the Federal Government because its taxpayers are overburdened. They cannot collect; they cannot go any further.

They borrowed $30,000,000 last year, and the legislature has passed an act, to be submitted to the people this fall, for an additional $70,000,000. That may or may not be sufficient.

If the times get better, it will be more than enough to care for its unemployed and suffering. But if the times do not get better, we will have to have that amount probably supplemented from the Federal Government.

Mr. LUCE. But you do not have to have it now.

Senator WAGNER. But the people of New York are today contributing to the Federal Government 28 or 30 percent of the revenue.

Mr. LUCE. But we have it now clearly stated, have we not, that the State of New York can do this thing; it can meet its own needs.

Senator WAGNER. It was compelled to borrow some 12 or 18 million dollars.

Mr. LUCE. Everybody is borrowing. It can raise money either by taxing or by borrowing?

Senator WAGNER. We hear that everywhere, everybody is borrowing. I cannot look at this as a matter of bonds and stocks. I look at the 12,000,000 people hungry, and crying for something to do. Those are the people I am looking at. I am not thinking of the stock market or the bond market. We have to provide funds to feed these people.

I am satisfied that the States, in spite of what you say—your State is fortunate; you had a revival of the textile industry, and that gave you employment. But 40 out of 48 States have applied, upon the ground of necessity.

And if you will examine the condition of the States you will find that they did not apply until it was necessary to supplement their funds to protect the people against starvation.

To get into parlor talk about theoretical things—this is not the time, with all due respect to you, Mr. Luce, for that sort of discussion. It is all right when we get back on our feet to make these beautiful speeches, with lovely phrases which people like to listen to. But it makes me impatient now.

Mr. LUCE. I am equally impatient at your imputation that I am not talking about a practical thing. I am asking you whether your State can borrow.

Senator WAGNER. Yes; they can borrow, but not until after a referendum, to be submitted to the people.

Mr. LUCE. You have spoken of 40 States that have come here to borrow. You are the first man who has come here and asked us to give. My contention is that as long as your State can stand on its own feet——

Senator WAGNER. It will stand on its own feet.

Mr. LUCE. That is all I desire to bring out.

Mr. FARLEY. The reason this half billion will come out of the Reconstruction Finance Corporation is to postpone the day when it will have to be paid back to the people who will lend the Government money. We are trying to balance the Budget, and if we pay it out today and unbalance it rapidly by charging against it another half billion dollars we will not be getting anywhere. Is not that the reason why the half billion dollars comes out of the Reconstruction Finance Corporation? Has that been discussed?

Senator WAGNER. Yes. Of course, if we put that into the Budget, it would unbalance the Budget. But the contention I make is that it does not belong in the Budget. It is an emergency proposition. I hope we will not have to pass a bill of this kind again. Therefore it ought to be dealt with wholly aside from the Budget, which is always considered as a provision for the current expenses of the Government.

Mr. FARLEY. You, as a lawyer, would agree with Mr. Luce's argument.

Senator WAGNER. I concede it.

Mr. FARLEY. That it is not up to the Federal Government to do this sort of work.

Senator WAGNER. As a general proposition?

Mr. FARLEY. Yes.

Senator WAGNER. I absolutely agree.

Mr. FARLEY. But because people are starving to death you cease to be a lawyer and want to be a humanitarian?

Senator WAGNER. Yes; I will put it that way, if you like. I want to feed the people first.

We had a hearing last year before the Judiciary Committee on another bill of mine in which a gentleman was so anxious to preserve the Constitution, as he saw it, that he said it was more important to see that we did not pass anything in violation of the Constitution than to feed the people. As between the two things he said he would take the alternative of having the people starve, because under all circumstances, that document must be preserved. I say it should be preserved, but I say that it is in compliance with constitutional authority to do this.

Mr. GOLDSBOROUGH. I have nothing to say about that except this. As I understood Mr. Luce's argument, it was not based on the theory that he was not anxious to do what should be done for suffering humanity.

Senator WAGNER. I began by saying that I am sure he is as much interested in humanity as I am.

My contention is that this is no time to talk technicalities, and in that regard I cannot agree. If there is any suggestion that Mr. Luce is not interested as much as any of us in seeing that people do not starve, I do not want that to go by, because I know him well enough to know that he is. We were discussing methods.

Mr. BEEDY. This is really no time to attempt to hold each other down as to what is the best method to pursue to accomplish a given end, and then begin to talk about starving people, leaving the implication that one or two of us alone are thinking about starving people. I cannot see that there is anything left of your case. You admit that New York can raise this money?

Senator WAGNER. I did not say New York could raise the money.

Mr. BEEDY. You admit New York can go out and borrow. You have not contended here that New York cannot take care of its own unemployed.

Senator WAGNER. They were compelled to borrow.

Mr. BEEDY. That is not the issue. I am not talking about what they have been compelled to do. The issue is what can they do now to take care of the starving people. Can they borrow more money; is New York bankrupt, or must she come here to seek charity from the Federal Government?

Senator WAGNER. There are implications there that I do not feel are justified. Am I a defendant?

Mr. BEEDY. You are a proponent, and the burden is on you to establish the need of the Federal Government giving away $500,000,000. Is New York in the position where she cannot take care of her hungry people, and must she come and ask us to contribute?

Senator WAGNER. I rather think she will be compelled to ask funds from the Federal Government to supplement her efforts, because she has not the sources from which to secure funds for herself.

Mr. BEEDY. You have already stated that.

Senator WAGNER. It is our taxpayers in New York who make this contribution.

Mr. BEEDY. You are now speaking about the need in the future and saying that she will have to do so and so. We are considering this legislation for the moment.

Do you, representing your State, and as a proponent on whom rests the burden of establishing the necessity for this gift from the Federal Government rests, come and say that New York State is in such a financial condition that she is helpless to take care of her unemployed and that she must resort to the Federal Treasury?

Senator WAGNER. I do not say that. This does not compel any State to apply to the Federal Government. But the past has shown that 40 States have not been able to meet the burden, and therefore there ought to be a fund available for those States, if they cannot meet that burden in the future. This does not give the money unless the State certifies that it cannot meet its own needs.

Mr. BEEDY. There is no issue of any State being compelled to go to the Federal Government. I have not raised any such issue.

My last question was, If your State of New York is in such a situation that it cannot take care of its own unemployed, what is there left?

Senator WAGNER. I did not say that.

Mr. BEEDY. Then I did not understand your proposition, and I am at fault.

Senator WAGNER. I say that I am hopeful that the State of New York will be able to meet its own obligations, but there is a limit to our taxing power, on the amount we can get from our citizens, and it may be, if this depression continues, we will have to come to the Federal Government.

Mr. BEEDY. But you are here.

Senator WAGNER. I am here for the Nation; I am not here simply asking for my State. I am trying to provide for the Nation.

Mr. BEEDY. But you are probably more familiar with the situation in the State of New York than some of us.

Senator WAGNER. I know something about it.

Mr. BEEDY. You have taken the issue before all your people. It has been thoroughly discussed. They know and you know whether it is a necessity immediately confronting your State and this Government which should justify us in giving $500,000,000 to your State and other States.

Senator WAGNER. I do not want you to make this a New York State matter. The State of New York has borrowed less, in proportion to its population, than any other State.

Mr. CROSS. It seems to me we are thrashing over things and that we are not getting information on the bill. I want to bring out the bill and let every man vote according to his own judgment. But the question of fine-spun theories should not enter into this.

The CHAIRMAN. I do not think I am in a position to stop members of the committee from asking questions.

Mr. BEEDY. I thought if we could ascertain this information it would assist us.

Here is one State represented by Senator Wagner that is in such dire distress he must come to the Federal Government.

Senator WAGNER. But do you not think there are other States?

Mr. BEEDY. Yes, but let us get at one State at a time.

Senator WAGNER. What is your State?

Mr. BEEDY. I come from Maine. I want to vote for this legislation if I am convinced, so far as I am able to find out, that there is a lack of power in the States to meet their own needs.

If you say, as I understood, that not yet has New York reached that situation, then so far as the evidence from that State goes, I cannot find anything to justify a vote for this bill.

Senator WAGNER. That is my fault; I have not spoken as clearly as I should, and therefore you have misunderstood me.

Mr. BREEDY. Will you now make it clear, if you can, whether New York State is in a position where she can no longer borrow?

Senator WAGNER. You are interested in Maine?

Mr. BREEDY. I am interested in the whole country.

Senator WAGNER. I am sure you are.

Mr. BEEDY. I am just as much interested in your starving people as in my own.

Senator WAGNER. So am I just as interested in the people in Maine as in those of New York. I am not advocating this legislation for New York alone.

Mr. BEEDY. I am not trying to create any such an inference.

Senator WAGNER. We did not come until, I think it was, the last of February. This fund is simply to be available. The experience of the past has shown that 40 States have need of it.

Mr. BEEDY. I am asking you if your State of New York has reached the point where it can no longer borrow money to take care of its unemployed.

Senator WAGNER. No; but whether they can borrow enough to take care of them properly, I cannot predict as to the future. But I want New York State to be in a position, and I want every other State to be in a position that if the situation arises where they are not able to meet the burden they can have a place to go.

Mr. BEEDY. Then, so far as you are concerned, as to the condition in your State, you ask for this legislation, that this fund may be available in the event that the need for it should arise in the future, and say that there is no need of it at the present time.

Senator WAGNER. When I first advocated this I had not New York in my mind at all. I thought we would be able to take care of them without any aid from the Federal Government, and we did until very early in this year. We did not make any application until January or February of this year. I have been advocating this for three or four years, and I have been viewing it nationally.

Mr. BEEDY. I understand that perfectly.

Senator WAGNER. The other Congressmen who represent other States, I am sure, will decide to vote or not to vote, depending upon whether they think their State needs this sort of thing.

Mr. BEEDY. It is an immediate, important situation that is concerning all of us.

Mr. WADSWORTH. In view of the fact that the State of New York is being held up as an example, perhaps we can get the example more completely in mind if the Senator can tell us how much money he thinks, according to the best information he has, the State is now spending, and how much the State will get out of this bill.

Senator WAGNER. The State of New York is now spending $14,000,000 a month to take care of the unemployed of the State.

Mr. WADSWORTH. That is about $160,000,000 a year.

Senator WAGNER. Yes, because you must remember that we are a sort of mecca for a great many transients. It is a terrific burden. We are spending $14,000,000 a month.

Mr. WADSWORTH. That is the total expenditure from public funds, State and local.

Senator WAGNER. Yes, that is the total.

Mr. WADSWORTH. Under this bill, what sum do you think would be granted to the State of New York, based on that total expenditure?

Senator WAGNER. I do not know that they will apply at all.

Mr. WADSWORTH. I am not asking that, but what sum could be granted.

Senator WAGNER. If they do not apply they do not get anything.

Mr. WADSWORTH. What sum could they be granted under the terms of the bill?

Senator WAGNER. There is a 15 percent limitation upon all States.

Mr. KOPPLEMAN. Is that 15 percent on $200,000,000?

Senator WAGNER. Yes, on that sum there is a 15 percent limitation.

Mr. WADSWORTH. That would be about $75,000,000?

Senator WAGNER. If they ask for it.

Mr. WADSWORTH. And they are borrowing $60,000,000 themselves, under a new submission by the legislature.

Senator WAGNER. Yes; that is the State. When I speak of $14,000,000, that also includes the contribution of the municipalities and of the State toward the fund.

Mr. HOLLISTER. Why could not the same result be schieved by merely increasing the $300,000,000 authorization that was in the relief bill passed last July?

Senator WAGNER. It could have been done that way. This is another method.

Mr. HOLLISTER. It would have escaped entirely the criticism of gift money.

Senator WAGNER. That is true.

Mr. HOLLISTER. It would have left the obligation on the States.

Senator WAGNER. Yes. Heretofore the bills I have advocated, and which passed, provided for the advance in the way of a loan, but this is the method which those in authority have greed upon, and it is agreeable to me.

Mr. HOLLISTER. Why ought we to depart from the idea in the relief bill of last July, shifting now from a loan to a grant, if it is possible still to borrow?

Senator WAGNER. It would only be on the theory that this has become a national matter.

Mr. HOLLISTER. Nobody would starve if we did it the other way.

Senator WAGNER. No. I would say that the President suggested this method.

Mr. CROSS. What does the clause mean, on page 7, beginning at line 11, or, starting at line 10, where it says: "(2) the provision made to secure adequate administrative supervision, (3) the provision made for suitable standards of relief."

Senator WAGNER. The author of that particular subdivision is here, and I believe he can answer that better than I can.

The idea was that when they present their application they must give some evidence that the standards they are maintaining are sufficient to take care of a family. Senator Costigan is the author of that particular subdivision.

Mr. SPENCE. It is provided on page 5 that "Each State shall be entitled to receive grants equal to one third of the amount expended by such State, including the civil subdivisions thereof." Those are outright grants; there is no expectation that the Government will receive anything from those grants except relief for the people?

Senator WAGNER. No.

Mr. SPENCE. May the State use that in a program of public works that would otherwise have to be maintained by taxing the people in the State?

Senator WAGNER. There are certain work relief projects which may be included. That would be a matter of administration. They

would have to submit to the administrator what they would use the money for, and if he deems that the project is a proper project, and will not be in competition with free labor, he can do that.

Mr. SPENCE. Taking into consideration the employment of labor.

Senator WAGNER. Yes. The idea is to do as we are doing in New York. We are using most of the money in the way of work relief. The people are actually employed in earning money. The greater portion of that money is now being used in work relief.

Mr. SPENCE. The State gets this as an absolute gratuity and might use it on public projects that otherwise might have to be paid for by their people, and the State would get the actual benefit; the State would be given the money by the National Government without any expectation of a return?

Senator WAGNER. You know it is much more desirable to have these people employed than to simply have them receive a can of tomatoes each day.

Mr. CAVICCHIA. May I say how it is worked in New Jersey? Essex County owns hundreds of acres of public parks over a large area. Men who get relief must give 12 days' work at $3 a day to make up for the $3 grocery order that they get.

The city of Newark makes them do a certain amount of work, which was not contemplated at this time, so as to make a man feel that there is a certain amount he must do. It can not be done with everybody, but the county park commission has 2,500 men working every day, and that means between seven and eight thousand men a week working in the county parks.

Mr. BUSBY. The House is in session, Mr. Chairman, and there are some rules which are coming up this morning, and several Members are interested in those rules. Shall we proceed or adjourn until tomorrow morning?

The CHAIRMAN. I expect it will suit the Senator if we let this go over until tomorrow morning.

Senator WAGNER. I am at your service.

The CHAIRMAN. Without objection, we will adjourn until tomorrow morning at 10:30 o'clock.

(Thereupon the committee adjourned to meet tomorrow, Wednesday, April 12, 1933, at 10:30 o'clock a.m.)

UNEMPLOYMENT RELIEF

WEDNESDAY, APRIL 12, 1933

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The committee met at 10:30 o'clock a.m., Hon. Henry B. Steagall (chairman) presiding.

The CHAIRMAN. Gentlemen, the committee will please come to order. We should be glad to have Senator Costigan, who is present, discuss the bill that the committee now has under consideration.

STATEMENT OF HON. EDWARD P. COSTIGAN, A UNITED STATES SENATOR FROM THE STATE OF COLORADO

Senator COSTIGAN. Mr. Chairman and gentlemen, I shall speak very briefly. It is a privilege to appear before this distinguished body, in conjunction with my colleague, Senator Wagner, and in cooperation with Congressman Lewis of Maryland, who was long my colleague as a mebmer of the United States Tariff Commission.

I ought to add that Congressman Lewis, more than a year ago, introduced in the House of Representatives a bill identical with the one introduced in the Senate by myself, out of which, in cooperation with Senators Wagner and La Follette, the present bill has emerged.

The pending bill is designed to provide, until measures to restore employment can become operative, for effective Federal assistance to the States in coping with the emergency growing out of the general prevalence of unemployment over a period of three and a half years, with the consequent exhaustion of the State and local resources previously available for relief purposes. The steps proposed by the bill to meet this immediate and urgent situation are, first, the provision of an additional $500,000,000 to continue Federal aid for unemployment relief; second, the substitution of definite grants in aid for the present system of loans or advances reimbursable to the Federal Government, or at least presumably reimbursable to the Federal Government; and third, the temporary establishment of a Federal Emergency Relief Administration to supervise the making of grants to States and to give leadership and the cooperation of the Federal Government in working toward a constructive solution of the relief problem.

The $500,000,000 newly authorized by this bill is to be used for grants to aid in furnishing relief in the following manner. It is proposed that the Federal Government assume definite responsibility for one third of the expenditures in each State, Territory, and the District of Columbia, for emergency relief out of public moneys from all sources, subject to the limitation hereafter to be mentioned. The

sum of $200,000,000 is set aside to permit the discharge of this obligation on a quarterly basis. The balance of the fund made avilable, except the amount required for administrative expenses which are limited to $350,000 out of the total fund, is to be used for supplemental grants in areas in which a Federal contribution of one third of the total load would still prove insufficient, because of the absence of sufficient State or local resources, to make adequate provision for the relief of those in need. To prevent any unforseeable tying up of funds, the President is authorized to transfer, after October 1, sums from the $200,000,000 fund to the funds provided for grants not to be matched to the extent that may prove necessary. A limitation of 15 percent out of the respective appropriations of $200,000,000 and $300,000,000, for any one State, is provided in the bill. Senator Wagner referred to this limitation yesterday.

Grants may also be made where necessary to States applying therefor, and within the discretion of the Federal Emergency Relief Administrator, to meet problems caused by the presence in some States of large numbers of unemployed transients, who have no legal residence in the State or the local community in which they happen to be, and to assist so-called "self-held associations" established for the barter of goods and services.

Responsibility for the making of grants is vested by section 3 in a Federal Emergency Relief Administrator, to be appointed by the President, by and with the advice and consent of the Senate, and the life of the emergency organization to be set up is limited to a period of 2 years. The procedure governing applications by the States is defined in section 5. The Reconstruction Finance Corporation is, in effect, under sections 2 and 6, designated as the Administrator's fiscal agent. Funds for the program proposed are to be obtained through the sale of the corporation's debentures or notes, subject to the limitation that additional debentures or notes for the purposes of this act are to be sold only with the approval of the President.

The provisions of title I of the Emergency Relief and Construction Act of 1932 are suspended, so far as the making of new loans is concerned, 10 days after the new organization has begun to function.

May I add, Mr. Chairman, that the present bill was originally prepared by Senators Wagner, La Follette, and myself, pursuant to a request reaching us from the President. We subsequently conferred with Secretary Perkins and later Senator Wagner conferred with the President in person about the bill. The President, I think I am at liberty to say, read the bill throughout and it met with his approval.

Mr. GOLDSBOROUGH. Senator Costigan, there is only one inquiry I think I want to make. Senator Wagner made the statement yesterday, and I think very correctly, that the State of New York paid about 28 percent of the total Federal revenues or tax collections. The bill provides that only 15 percent can go to any one State. Of course, if New York is actuated by altruism, I can understand the support of New York for the legislation. But, in the absence of that motive, what would be the reason, so far as you can see, for New York to support a measure which would require it to pay out about $1.90 for every dollar it receives?

I am only trying to find out something more about this bill.

Mr. BUSBY. May I suggest, Mr. Chairman——

Mr. GOLDSBOROUGH. May I please ask him that concrete question first, and then I shall be glad to yield?

Senator COSTIGAN. Mr. Chairman, I should not attempt to pass on the motives of the citizens of New York in supporting a measure of this sort.

Mr. GOLDSBOROUGH. When I said New York, I was using that State only for illustrative purposes, that was all. But that was the definite statement made yesterday. The provisions of the bill definitely are that only 15 percent may go to any one State. I am just trying to ascertain, as well as I can, just why a State like New York would support this measure.

Senator COSTIGAN. I have no doubt that Senator Wagner's conviction is deep-seated—my own certainly is—that we are dealing here with a national problem. It is national in origin and it calls for a national solution.

Take, for example, the matter of transients to which Senator Wagner made slight reference yesterday. There is at this hour an army of unemployed people wandering up and down America. They drift from region to region, seeking employment or at least hoping for it, hoping for better conditions. They do not come ordinarily within the scope of local relief laws. As you are aware, our poor laws grew out of the practice of taking care of our neighbors. The person who has no legal residence is ordinarily not one to whom local relief goes. The tendency is to say, "Well, this man is not our concern; I do not know him. He comes from somewhere else. He ought to be at home and cared for by his people there."

Mr. GOLDSBOROUGH. I have no doubt, Senator Costigan, that that is what is in Senator Wagner's mind. But what I am trying to ascertain, if possible, is why the State of New York is backing this bill; not why Senator Wagner is supporting the bill, but why the State of New York is supporting this bill. I am going to support the bill myself. There is a lot of opposition to it and it is deep-seated and it is vocal, and if there is anything sinister about the measure, we ought to know what it is.

Mr. BUSBY. Mr. Chairman, I think I can answer your query. As I understand it, Senator Wagner indicated that New York State was charged with 28 percent of the tax funds that go to the Federal Treasury, and for that reason they were entitled to get back some of it in this way. That is how I understood Senator Wagner. I understood him to say that they contributed 28 percent to or put 28 percent into the Federal Treasury, of the total of Federal taxes, and for that reason—which is a wholly different proposition from the dictates of altruism—they would like to come in and get 15 percent out of the first $300,000,000 and then on a reallocation get more of the $200,000,000.

Senator COSTIGAN. The chairman's question, however, goes back——

Mr. BUSBY (interposing). That was my understanding; I may be wrong.

Senator COSTIGAN. The chairman's inquiry goes back to the question why New York is willing to put 28 percent into such a bill.

Mr. BUSBY. Because the law requires it, that is all.

Mr. GOLDSBOROUGH. Personally, I do not desire to proceed any further along that line.

Senator COSTIGAN. May I suggest, another reason is that New York is, of course, not only wealthy in itself, but it draws much of its wealth from other portions of the country. It is a part of the Nation. The conditions which have led to this proposed legislation may very well be said to threaten the security of our institutions. I should suppose that I may take it for granted that New York, like other parts of the country, would be concerned in abating evils which invite the agitator to drive against the security of our institutions.

Mr. GOLDSBOROUGH. If that view of it is the view that is being taken by the State of New York, if those who are in control of the affairs of New York have that vision, do you not think that it would carry them a little further, do you not think that it would carry them to the point of understanding that we must raise the price levels before we can do anything substantial in the way of social welfare?

Senator COSTIGAN. I agree with you heartily; I am sure that you will find no more cordial supporter in that philosophy than Senator Wagner.

Mr. LUCE. Mr. Chairman, may I ask the Senator a question?

Mr. GOLDSBOROUGH. Surely.

Mr. LUCE. What administrative activities are contemplated by this bill?

Senator COSTIGAN. Will you be good enough to specify just what you mean?

Mr. LUCE. What administrative activities are contemplated by this bill?

Senator COSTIGAN. There is to be a Federal Administrator appointed.

Mr. LUCE. What is he to do?

Senator COSTIGAN. He is to select a staff, advise himself about relief needs in the country, communicate with and respond to communications from, the governors of the respective States as to the needs in those States and certify the sums which are to be allocated to the States out of the funds made available by the Congress.

Roughly, I think that outlines is his duties.

Mr. LUCE. I do not find anything in the bill regarding any such work. Will you point it out to me?

Senator COSTIGAN. There are provisions in the bill for applications to be made to the relief administrator. Take section 5:

> SEC. 5. Any State desiring to obtain funds under this Act shall through its governor make application therefor from time to time through the Administrator. Each application so made shall present in the manner requested by the Administrator information showing (1) the amounts necessary to meet relief needs in the State during the period covered by such application and the amounts available from public or private sources within the State, its political subdivisions, and private agencies, to meet the relief needs of the State, (2) the provision made to assure adequate administrative supervision, (3) the provision made for suitable standards of relief, and (4) the purposes for which the funds requested will be used.

That section draws attention to the first step to be taken in moving toward relief.

Section 6 provides that:

> The Administrator upon approving a grant to any State shall so certify to the Reconstruction Finance Corporation which shall, except upon revocation of a certificate by the Administrator, make payments without delay to the State in such amounts and at such times as may be prescribed in the certificate. The Governor of each State receiving grants under this Act shall file monthly with the Administrator, and in the form required by him, a report of the disbursements made under such grants.

It is also provided that the administrator himself shall file reports. That is in section 3, subsection (d). That provides that:

> The Administrator shall print monthly, and shall submit to the President and to the Senate and the House of Representatives (or to the Secretary of the Senate and the Clerk of the House of Representatives, if those bodies are not in session), a report of his activities and expenditures under this act.

In subsection (c) of section 3 it is provided that:

> In executing any of the provisions of this act, the Administrator, and any person duly authorized or designated by him, may conduct any investigation pertinent or material to the furtherance of the purposes of this act and, at the request of the President, shall make such further investigations and studies as the President may deem necessary in dealing with problems of unemployment relief.

It is, of course, further provided, as already indicated, that these two funds are to be differently treated.

Mr. KOPPLEMANN. In what way?

Senator COSTIGAN. The $300,000,000 is to be expended on the basis of actual need as determined by the administrator. The $200,000,000 is to be divided on the basis of the Federal Government contributing one third as much in any particular county as any State has contributed, from all public sources in the preceding quarter. Of course, that calls for continuous supervision; as a matter of fact, both of these provisions call for continuous supervision.

Mr. KOPPLEMANN. Then the one third provision does not apply to the entire $500,000,000?

Senator COSTIGAN. It does not.

Mr. KOPPLEMANN. Only to the $200,000,000?

Senator COSTIGAN. It only applies to the $200,000,000. As to that, the effort is to have a matching policy which will stimulate local giving.

Mr. KOPPLEMANN. Insofar as the $200,000,000 is concerned?

Senator COSTIGAN. Insofar as it is feasible to procure it.

Mr. LUCE. Mr. Chairman, if I may continue my line of inquiry:

Senator, to apply this procedure to a concrete illustration. Suppose the Governor of the State of Illinois sends to the administrator a statement showing that they have expended $30,000,000 for relief and that they would like $10,000,000 more. What is the administrator going to do?

Senator COSTIGAN. If it is apparent to the administrator that the State of Illinois in the preceding quarter expended out of public funds from all sources $30,000,000 subject to the limitation that not more than 15 percent of the aggregate funds——

Mr. BUSBY (interposing). Will you allow me to interrupt, Senator. How do you know that is what will happen? Are you not surmising about the administration of all this? You have no concrete or tangible data before you and do not even know the mind of the individual who may be selected to administer this act. Is there anything in the act, or are you surmising what you would do if you were in that position?

Senator COSTIGAN. Naturally, I am interpreting the law according to its terms and assuming that a public official will enforce the provisions of the statute.

Mr. BUSBY. I just want to know how definitely that was written into the act, or whether what you are saying is surmise?

Senator COSTIGAN. It seems to me perfectly clear.

Mr. LUCE. Mr. Chairman, if I may continue my inquiry. Suppose the State of Illinois sends in a communication to the effect that it has spent $30,000,000. How far is the administrator going to be allowed or expected to question the good faith of that State?

Senator COSTIGAN. He is given authority to employ such assistance as he requires to carry on the administration under the act. Presumably through his experts he can determine the good faith of the representations of the State of Illinois.

Mr. LUCE. Is it an altogether admirable thing to put into the law a system of administration that requires the Federal Government to question the good faith of any governor of any State in the country?

Senator COSTIGAN. Congressman Luce, I think it is entirely appropriate when we are spending public funds, as we are doing under various grants in aid acts, to require such supervision from Washington as will guard the expenditures authorized by the Congress.

Mr. LUCE. You might very well apply that, of course, to any minor official, any $2,000 official. I am asking whether you are going to question the integrity and good faith of the Governor of the State of Illinois who communicates a statement to the administrator?

Senator COSTIGAN. It does not seem to me that the inquiry addressed to me is really pertinent to the problem.

Mr. LUCE. There is the sum of $350,000 involved here.

Senator COSTIGAN. When I check upon your statement through an auditor, I do not regard myself as questioning your integrity. I am pursuing proper accounting methods.

Mr. LUCE. Surely; I do not question the right to verify the totals of any printed statement through the activities of an auditor or a bookkeeper, or anybody else. I am trying to find out whether you are going into Illinois to learn whether it is clean or whether it is rotten.

Senator COSTIGAN. Doubtless, the administrator, if efficient, will make suitable inquiries to determine whether the funds said to have been expended from public sources have been expended. At least, that would be my assumption. That would be my course if I were a public official.

Mr. LUCE. I do not mean to say anything derogatory to the State of Illinois. I just happened to mention that State because the name came into my mind. But if you are going to investigate the honesty, the integrity, the judgment, of every county, municipality, or village in this country, you are going to have some job. It strikes me you either must accept the word of the governor, or else you must go the whole distance and examine every spending agency in the State. We have, I am frank to say, in my own State, certain cities that we do not think are prudently and economically managed. We think there are certain expenditures of public funds that are unwise. How far do you expect your Federal administrator to make inquiry into the wisdom, good judgment, and good faith of one of my Massachusetts cities?

Senator COSTIGAN. With the knowledge that the relief needs in America are overwhelming, I should assume that every justifiable presumption would be indulged in favor of the good faith of the officials. Certainly, where they certify to facts in regard to such expenditures.

Mr. LUCE. If that be so, what is the use of providing $350,000 for administration?

Senator COSTIGAN. There still remains the responsibility for guarding against false statements. In other words, this act, in my judgment, is elastic enough to permit prompt action by an able Federal administrator for the relief of human needs without endangering a gross waste of the public funds.

Mr. LUCE. How far the use of $350,000 for this purpose may or may not be a gross waste, is a matter of judgment; but let me ask you another question. It has come to be understood and recognized by Members through many years of experience that it is not wise for a legislative committee to make appropriations. Therefore, we have an iron-clad rule in the House that they shall not be made in that way. Here is a method of evading that rule. You give your Reconstruction Finance Corporation authority to take $500,000,000 which ultimately must be paid by taxation, and spend it without any inquiry into it being made by the Committee on Appropriations. Do you think thus evading the rule of the House is a prudent thing?

Senator COSTIGAN. May I ask, Congressman Luce, wherein this bill departs from the precedents of other Federal grants in aid, such as our statute which provides for the expenditure of very large amounts on road building in the States, in conjunction with the States?

Mr. LUCE. I have the impression that that all had to go through the Committee on Appropriations after action by the House.

Senator COSTIGAN. As I understand it, the money is distributed subject to supervision by representatives of the Federal Government here, after the committee and Congress finishes its work. There always is, of course, as there would be in this instance, reserve power in the Congress, if there is an abuse of his powers by the Federal administrator, to revoke his authority and to repeal the act.

Mr. LUCE. I do not think you catch my point, sir. We have found by long experience in the Nation and in the States, that it is wise to have two studies of every expenditure of public funds; one by a legislative committee and the other by an appropriating committee. Here is a proposal indirectly to spend $500,000,000 without any consideration by the appropriating committee as to its relation to other expenditures, its conformity with the Budget program, with the general set-up of the Government. Now, $500,000,000 is no small sum. Why should it be taken out from under the protection, the safety, that is given by our system of thus protecting the expenditure of public money?

Senator COSTIGAN. The answer in part—it may not satisfy you—would appear to be that our Budget Director has evidently passed favorably on this sort of an appropriation; also, that the need for relief of human suffering has reached the proportions of a catastrophe The amount, if anything, is small rather than large, and it is utterly impossible, I think, in advance, as all those who have investigated the

situation are aware, to forecast the precise amounts which from time to time will need to be applied to meet the necessities of the situation.

Mr. LUCE. Possibly I did not bring out clearly the objections which I made yesterday and which I repeat today. Inasmuch as this is an appropriation in effect, an expenditure of public funds, the introduction of the Reconstruction Finance Corporation into the matter is wholly unjustified. The Reconstruction Finance Corporation was conceived, and has been administered so far, as a lending agency. Now it is proposed to convert it into a giving agency with no authority, no powers over the expenditure of the money, with no responsibility for investigating the respective needs, with no duties whatever, but wholly as a subterfuge to evade the orderly processes of appropriations. What good is to be accomplished by doing this thing indirectly instead of looking things in the face and recognizing that it is a gift out of the Public Treasury? What benefit is to be gained by having it go to the Reconstruction Finance Corporation?

Senator COSTIGAN. May I briefly rest upon the answers which were given yesterday by Senator Wagner? If you desire me to expand my reply, I shall do so.

Mr. LUCE. No; I want to find out if you are of the same belief that subterfuges of this sort are admirable.

Senator COSTIGAN. It is our judgment, if I may say so—and I think Senator Wagner so indicated—that Congress has been indulging in a subterfuge for the last year. A year ago or more we voted the sum of $300,000,000 to be loaned to the States through the Reconstruction Finance Corporation, with a proviso that those loans should be subsequently paid in the form of deductions from the road-building funds. The statute which was then enacted was put in that form so as to enable many States in the Union which have constitutional prohibitions against borrowing for human relief, to secure Federal funds to assist them in dealing with this tragic problem. That was distinctly a subterfuge and it was recognized at the time and has been recognized ever since that those loans were in effect direct grants in aid. Under this bill almost identical relief is termed a grant in aid.

Mr. LUCE. But you still do not furnish any reason why the Reconstruction Finance Corporation should have any part in it.

Senator COSTIGAN. Apparently there are three ways in which the Federal funds for this purpose might be raised—through direct appropriations chargeable against the budgetary expenditures of the Government, through bonds sold on the public market, or through the use of the debentures of the Reconstruction Finance Corporation. The two latter methods relieve, as we believe they should relieve, the Budget from the immediate burden of these expenditures; and this method was adopted as equivalent to the method of issuing and selling bonds.

Mr. LUCE. Because it conceals the actual transaction?

Senator COSTIGAN. In my judgment, there is no concealment whatever. It seems to me that the legislation is not only open but better understood in every part of the United States than any similar legislation involving the expenditure of a substantial amount of Federal funds.

Mr. LUCE. But your reason is that it shall not show up as a national expenditure.

Senator COSTIGAN. I should not so state it, Congressman. There is considerable confusion over the items which should be included in the Budget. It is regrettable, in my judgment, that we have not more clearly developed publicly the propriety of lifting certain items, such as those involved in bond issues for public works, out of the Budget.

The public may be confused, but students of finance are not confused over the possibility of dealing with budget balancing of a government in a different way from that in which an individual deals with his income and his expenses.

Mr. LUCE. One finall question, Senator, returning to one that I propounded heretofore. Do your think it advisable that legislative committees shall make appropriations?

Senator COSTIGAN. May I ask you to expand the question? Do you mean as distinguished from Congress?

Mr. LUCE. From an appropriating committee. We have been fighting here through many years to establish the principle that the Appropriations Committee shall hold the purse strings. Here is a proposal that a legislative committee shall share with the appropriating committee in spending the public money. It was once supposed to be, a dozen years ago, one of the great triumphs of the Budget bill that we abolished all appropriating by legislative committees.

Senator COSTIGAN. Perhaps I am confused at the instant by the form of the inquiries, but I see no fundamental difference between expenditures of this sort, where fully considered by the Congress, and those of a governmental bureau or independent establishment such as the Federal Trade Commission which is authorized, let us say, to expend during the next fiscal year approximately $1,000,000 on various investigations, in the employment of its help.

Mr. LUCE. That is all.

Mr. BUSBY. Senator, you speak of three ways in which it is possible to raise the funds for the purpose proposed in the bill. The particular manner provided for in the bill is under the third way mentioned by you, or debentures of the R.F.C. What length of time would those debentures be outstanding and what rate of interest would they bear?

Senator COSTIGAN. It is my understanding that those matters are left to the discretion of the Reconstruction Finance Corporation and in practice, as suggested yesterday by one member of this committee, the Treasury has been advancing the funds, when required by the Reconstruction Finance Corporation.

Mr. BUSBY. If this bill provided for the direct appropriation mentioned in your first proposition, $500,000,000 as required under this bill, it would practically wipe out all of the savings that have been brought about by cutting off thousands of governmental activities and incidentally governmental employees who have been added to the bread lines in many instances, and by cutting out the hundreds of thousands of soldiers who have disabilities, which is admitted by the Veterans' Administration; in other words, all that has been saved by depriving these classes would be wiped out if we should make this a direct appropriation. And that is one of the reasons why you want to avoid doing that and want to pass it over on to a future date; is not that correct?

Senator COSTIGAN. General relief would be substituted for special relief and special salaries; and there would undoubtedly be, if this amount were treated as a direct charge on the Treasury, a substantial reduction in Treasury savings heretofore made.

Mr. BUSBY. If it were a direct charge on the Treasury, the difference to the people or the taxpayers would be this, that there would not be appended an interest charge to run over a period of years which they would have to meet in addition to the direct appropriation. In other words, the burden would be much lighter if it were made a direct charge on the Treasury than it would be by selling bankers or investors Government debentures or first mortgages on the future earnings of the people and the properties of the people in order to raise this fund in the way that you propose.

Senator COSTIGAN. If the appropriations desired were immediately available in the Treasury of the United States without any blow to the credit of the Government, I personally should see no objection to direct appropriations for that purpose. Undoubtedly what you say is true as to the future charge in the way of interest.

Mr. BUSBY. Senator, do you regard the Government as having a limit beyond which it could not proceed with these debenture and bonding operations in which it pledges the people to pay so much in the future?

Senator COSTIGAN. There is, unquestionably, a limit, or a strain which can be endured by Federal credit; perhaps also by the people of this country as taxpayers.

Mr. BUSBY. Yes. I note in the report of the Comptroller of the Currency that all banks, in their capital stock and surplus and properties properly belonging to the banks, have only $8,092,000,000, and yet those same banks own outright between twelve and thirteen billions of Government securities which are practically the only stable securities to be had at the present time. It is my understanding that the banks—and they are the purchasers of these bonds and that is the reason I refer to them—as a matter of policy in dealing with this kind of a financial item, pass it over to some agency that merely takes the interest, leaving the people first to furnish the credit to the banks in order to buy these bonds and then subsequently the people furnish the taxes to the Government to pay the bonds and the interest. What I am trying to arrive at is the welfare of the people in connection with this financial operation. Do you believe that this proceeding will be one which will increase the buying power of the people in any sort of a permanent kind of a way?

Senator COSTIGAN. It will, of course, operate to increase the buying power of those who are aided; but it is not proposed fundamentally as a means for restoring consuming power. It is favored by the Senate and by its authors because it is designed to relieve the consequences of an economic disaster which, in our opinion, are as grave as those of the recent earthquake in California.

Mr. BUSBY. I thoroughly appreciate that, but this bill reminds me more of an effort to establish soup lines and bread lines than it does to establish any sort of a financial procedure which would be worth while to the country, except, as I say, giving them a most unattractive sort of a dole or hand-out.

Another question: Do you have any information as to the number of people that would have to be accommodated under this bill?

Senator COSTIGAN. We have various districts. We took elaborate testimony from expert witnesses recently. I may add that one of the most expert witnesses in the United States is in this room at this moment, Mr. Allan Burns, who for years has been at the head of the community chests of the country. I may say that the testimony roughly indicated that earlier in the year there were about 3,000,000 families——

Mr. BUSBY. Three million families?

Senator COSTIGAN. In need, and I have seen figures since indicating as many as three and a half million, leaving out apparently from those figures the large migratory groups traveling over the country.

Mr. BUSBY. Do you have any information as to the location of those 3,000,000 families?

Senator COSTIGAN. If agreeable to you, since Mr. Burns is here, I should prefer that he would answer your question.

Mr. BUSBY. We have information that that is largely in the congested centers.

Senator COSTIGAN. The need is universal.

Mr. BUSBY. It is scattered everywhere.

Senator COSTIGAN. In fact, we have inadequate information as to the extent of the need in rural districts. Relief has been better organized, as you are aware, in the large cities of the country.

Mr. BUSBY. Do you have any information as to the effect on your operations under this bill of the cutting off of assistance that is now being given by way of compensation to disabled World War veterans, when that shall have taken place—the 1st of July or whenever it does? Do you estimate that will increase your burden or lighten it, or have you taken that into consideration?

Senator COSTIGAN. It would be my private belief that it will increase it somewhat. It is impossible in the absence of specific information, to say how much.

Mr. BUSBY. Do you regard the relief in those instances where assistance was given under that method of caring for disabled veterans who were scattered through every nook and corner of the country as being less desirable than relief under the provisions contained in your bill, the total amount of which is more than will be saved by cutting off of compensation to these disabled people?

Senator COSTIGAN. Personally, I am in favor of the veterans' legislation. One of the charges, as you are aware, against our previous legislation was that it had resulted in certain unnecessary expenditures.

Mr. BUSBY. May I suggest the query whether that charge was not directed more to the type of administration, which we all deplore, than to the legislation as it was written in the statute books? In other words, it was more an administrative discrepancy than it was a legislative one, when it came to applying the provisions of the act; is not that so, Senator?

Senator COSTIGAN. It may be. At this moment I do not undertake to answer the question in full.

Mr. BUSBY. Do you not have every reason to feel that the discrepancy that crops out there might also, as Mr. Luce indicated was possible, crop out in the administration of this fund, when they have no responsibility on them to report back to Congress, to make any showing to Congress, or to account to anyone under the provisions of this bill for the manner in which the money is handled, the exigencies

in which it is to be applied or the occasions on which expenditures are made? Do you not think that is a broader and a more dangerous latitude in discretion than was ever allowed in the administration of veterans' legislation?

Senator COSTIGAN. Much will depend on the administration, without question. But the task of feeding the starving, as Senator Wagner indicated yesterday, must be met. May I also suggest, I heard none of these protests from any Member of Congress when the $5,000,000 appropriation was going through Congress for the relief of the victims of the California earthquake.

Mr. BUSBY. Do you not think that that was, to use the legal phrase, res ipse loquitur; it speaks for itself, or it spoke for itself, didn't it?

Senator COSTIGAN. Precisely, and the same rule, in my judgment, should be applied here.

Mr. BUSBY. And this condition presents the possibility of a great cloak for the covering up of all kinds of graft and improper handling of this fund, not of $5,000,000 but of $500,000,000, which is a direct appropriation, a direct charge against the people as a whole.

Senator COSTIGAN. May I ask whether your same criticism was made against the expenditure of $100,000,000 which was appropriated by Congress about 1919 to feed the destitute in Europe?

Mr. BUSBY. I was not in Congress at that time. I came a little later, but I would say that it would be; yes, sir. We were very lax at that time and we are getting lax now and throwing discretion to the winds at this time. We are looking at everything as a matter of helping suffering humanity and saying, "This is no time to stop and use judgment or reason about these things or ask for reasons as to why we should do them."

Senator COSTIGAN. May I say that no man, unless he have a heart of stone, can possibly go through the testimony taken by our committee, without feeling that the Nation is confronted in this hour with an emergency which is of the gravest order and probably nothing but that emergency would justify such legislation as is proposed. On the other hand, if you will scrutinize this act with care, you will find that every effort has been made to throw around it safeguards which will permit a scientific administration and a most careful expenditure of the public funds. As a matter of fact, I should add, I think, that it is the judgment of those best informed that the expenditures made during the past year by the Reconstruction Finance Corporation in the form of relief failed to meet the problem.

Let me illustrate. In the State of Kentucky, during the past year, although relief was being given by the Reconstruction Finance Corporation and an expert adviser had charge and supervision of that relief, children have been going blind in great numbers, as testified to by the State physician, Dr. McCormick, for lack of food.

Mr. BUSBY. Senator, I would like to suggest that you do not have to argue the humanitarian element that is involved in this situation, But when we go and read the testimony before the Senate committees and learn of the infidelity of those who have wrecked the financial structure of this country, and we see the lack of cooperation that is being given by them now while we are providing bread lines and soup lines, while they are continuing to do things to sink the commodity price level, throwing people into unemployment—your argument

does not appeal to me, because we ought to go to fundamentals instead of saying, "We will feed you today, but we do not know what will become of you tomorrow"; because we are still operating downhill with the Nation's business.

Senator COSTIGAN. Please do not regard me as dissenting from your generalizations. What I am attempting to say is that human starvation is a fundamental.

Mr. SISSON. Senator, may I ask you one question? Referring to what has been asked you with reference to what we generally speak of as veterans' relief legislation, I assume that your committee in preparing this relief measure assumed that what was supposed to be done in the economy measure with reference to the veterans would give us a comprehensive scheme of veterans' relief rather than a patchwork of legislation; and that you probably took into account that there had been hundreds of millions of dollars under the guise of veterans' relief granted when it was not needed and not deserved, and that there was a great deal more money that ought to have gone for veterans' relief in cases where it did not go; but that generally speaking some saving could be effected and a greater justice done to the veterans and their dependents; is that so?

Senator COSTIGAN. It is my hope, genuine hope, that a constructive program of veterans' relief will come out of the action taken by Congress.

Mr. SISSON. And not all the waste was due to administration, but some of it was due to the fact that the legislation was a patchwork legislation.

Senator COSTIGAN. That remark apparently is justified.

Mr. WADSWORTH. May I ask a question of the Senator, Mr. Chairman?

Mr. GOLDSBOROUGH. Yes.

Mr. WADSWORTH. Senator, you have undoubtedly studied the situation generally over the country and are familiar with the difficulties which a great many of the States have encountered and are now encountering. Senator Wagner yesterday stated that under the terms of the existing authority given to the Reconstruction Finance Corporation to make loans, 40 States have applied for loans. Have you ever made a study of it to the extent that you can tell us whether those applications were in each and every case justified by the facts as they existed in the respective States?

Senator COSTIGAN. Senator Wadsworth, I should say that I have not made as careful a study as your question calls for. However, the committee which considered this legislation had before it the officials of the Reconstruction Finance Corporation, including the administrator in charge of relief during the past year, Mr. Croxton. Their testimony indicated that great care had been taken by them in scrutinizing the security furnished where, as under one subdivision of the present law, cities were required to furnish security. And in looking into general conditions the impression certain members of the committee received from the testimony was, however, that they had acted rather too much as bankers than as humanitarians in distributing the funds placed at their disposal for these purposes.

As you are aware, the Reconstruction Finance Corporation is dealing constantly with loans and with security of one sort or another.

It is looking for collateral and the process adopted was to pass out relief in small installments, making it exceedingly difficult for the relief agencies in different communities to plan ahead and thereby make savings. Our experience with the Reconstruction Finance Corporation's representatives led us to conclude that they had been too cautious rather than extravagant in the use of the public funds for the precise purposes for which those funds were appropriated by Congress.

Mr. WADSWORTH. It is to be assumed, I suppose, that if 40 States have applied for loans under the authority now lodged with the Reconstruction Finance Corporation, that at least that number will apply for gifts.

What I am trying to find out is—and perhaps it is going to be exceedingly difficult to do so; perhaps, indeed, impossible—whether or not there will not be a good many instances among the forty-odd who will apply, where the application is not warranted, where a State itself could do the job, if it put its hands to it. Of course, States vary, and you will find a spotty situation among the 48 States in that regard.

Senator COSTIGAN. May I say, Senator, generally that all the indications were that the relief had not been met, rather than that it had been overmet. Several of the States declined to apply because they did not wish to be placed or the governors of the States did not wish to be placed in the position of mendicants coming to Washington for assistance. A shining example was Governor Ritchie of Maryland who, notwithstanding the existence of great human need in Maryland, declined, at least until quite recently, to come to Washington for this sort of aid. Congressman Lewis here, the author of this bill, can give you personal testimony as to the tragic conditions in Maryland and the fact that Maryland private relief has not been meeting that need. But those States which did not come here for that came for other reasons. In some instances there was a feeling that the constitutional inhibitions were such that the governor ought not to come. There has been no showing at any time that there has been an absence of need and there are overwhelming indications of the inability of State and local resources to meet the need that exists in all parts of the United States.

If there is doubt on that subject, I trust you will call on Mr. Allan Burns, who is here, and who has dealt largely with volunteer funds and who knows the interrelations of State aid and local aid and private aid.

Mr. WADSWORTH. Upon yesterday, Congressman Luce, of Massachusetts brought out the fact, undoubtedly known by you, that the State of Massachusetts, has thus far not found it necessary or desirable to either borrow from the Federal Government or does not for the moment, at least, contemplate asking for a grant. Surely the State of Massachusetts must be encountering these unemployment difficulties in a very similar degree to the average industrial State, and it would be enlightening, I am sure, to the Congress, especially to the members of this committee, if information could be brought to us as to whether or not other States which have asked for loans and contemplate asking for grants, have employed as effective methods for relief as are now being employed in Massachusetts. I suspect that the situation is somewhat uneven, Senator. I have been told, although I cannot demonstrate the accuracy of the information at all, that some States have lagged, confident that the Federal Government will come to their assistance. I have read criticisms of the lack of legislative action in certain States. I say, I cannot demonstrate that, and I do not want to attack the motives of any State in a hearing of this kind, but if 40 of the States have applied for loans, it would seem to me, under the terms of this bill, that all 48 perhaps 47, eliminating Massachusetts, will apply for grants; and I am wondering if every one of them will need it.

Senator COSTIGAN. Perhaps I should add something which comes out of the experience of your home State. There was apprehension, when the bill of a year ago was passed, that Federal grants would lead to less cooperation in giving relief from States and localities. There was apprehension in New York prior to that, lest State aid would dry up local giving in New York. At least in your own State, the results seem to have been otherwise. New York made a substantial contribution, based on the matching theory which is applied in the first portion of this bill, and apparently the responses of New York City and other portions of the State were unexpectedly generous. In other words, the fact that the larger unit was willing to contribute did not in practice discourage contributions from the lesser units, the subdivisions of the State.

Mr. STOKES. Senator, you admit the Reconstruction Finance Corporation has handled this money in the past in a cautious and conservative way?

Senator COSTIGAN. Overcautious, I should say.

Mr. STOKES. Which, I think, is a wise policy, in view of the fact that the money belongs to the American people.

Senator COSTIGAN. There is, of course, always justification for careful scrutiny of expenditures.

Mr. STOKES. Would you have any objection to the bill being so drawn as to authorize the Reconstruction Finance Corporation to continue to lend it instead of the new administration which will call for additional salaries and expenses?

Senator COSTIGAN. Personally I much prefer to see the administration separated, and that is not only my judgment but also that of those who are most expert in the field of relief.

As stated, the minds of the administrators of the Reconstruction Finance Corporation are primarily concerned with loans. They approach their problems as bankers. The banker sits and waits until the application reaches him. In my judgment, part of our problem in America is to reach out and to save the self-respect and morale of a sinking people. A different type of mind is needed, a highly efficient, trained leadership, which is scrupulously careful, of course, in the expenditure of public funds, but is moving always toward the humanitarian objective of the bill. It would be unfortunate, if I may so say, to have these powers retained in the Reconstruction Finance Corporation. There is no reason why the present organization of the Reconstruction Finance Corporation may not be taken over by the Federal Administrator.

Mr. STOKES. Forty States have applied. Have you ever made a study to see whether those applications were certified to?

Senator COSTIGAN. I have not made as careful study as your question calls for. However, this committee should consider legislation in the matter of veterans' relief.

The Administration realizes that the evidence on these applications had been given very careful scrutiny. Many of the applicants were required to furnish security, and looking into general conditions the impression was that the Reconstruction Finance Corporation directors had acted as bankers rather than as administrators in considering these questions. Our experience with the Reconstruction Finance Corporation is that they believed that they had been too extravagant rather than conservative in making loans to corporations.

Mr. STOKES. It is to be assumed that the 40 States have made applications for loans to the R.F.C. and at least, therefore, that many of them had applied extravagantly, but what I am after is to know if there is not at least a great many which have made applications and have received no response?

Senator COSTIGAN. May I say that the applications showed that many of the States had so applied. Many of the States would not apply because the Governors did not wish to do so. In the case of Michigan, they came to Washington asking for assistance. For instance, Governor Ritchie, of Maryland, and Congressman Lewis, the author of this bill, can give you statements of conditions in Maryland, and that the conditions there have not been getting that relief. In some cases, unless the States have shown that the government had no funds and could not get any, they were not given relief. And there has been an overwhelming lack. I would like to ask you to call for Mr. Allen Burns of the Relief Bureau.

Mr. GOLDSBOROUGH. On yesterday, Congressman Luce stated that the State of Massachusetts has not called on the United States and did not contemplate calling for a grant. Surely the State of Massachusetts is not very different from the average State in regard to relief, and I am sure that it would be enlightening to this committee to know if other States in asking for grants are in similar situation as Massachusetts? I have been told, although I cannot guarantee the accuracy of the statement, that some States have not come to their own relief. I do not want to attack the motive of any of any State in asking for relief, and if 47 have applied for grants, I am wondering if any of them are in need?

Senator COSTIGAN. Perhaps there was a statement that 47 had made applications, and that it was felt that Federal relief would lead to less relief for grants. There was apprehension that in New York no State grant would be made, but in your local State the Red Cross and the New York State relief organizations had no relief except their own, and New York City had had discouraged contributions from the R.F.C.

Mr. GOLDSBOROUGH. Senator, would you answer that the citizens of New York City have responded very liberally to this appropriation or contribution?

Senator COSTIGAN. Yes, sir.

Mr. GOLDSBOROUGH. Would you have any appropriation to the R.F.C. continue there instead of the new administration?

Senator COSTIGAN. Personally, I would rather see the new administration and personally I think that is the idea the new administration represents because the work of the R.F.C. is such that they sit as bankers, and my idea is that the American idea is to reach out and save the American people.

Mr. GOLDSBOROUGH. But at the same time there is no reason why these matters should not be taken over by the Reconstruction Finance Corporation.

Mr. KOPPLEMANN. Are not there organizations at work along the line of the Reconstruction Finance Corporation which would be proud of the chance of getting this work to do and would do it without cost to the entire people? We have them in our State. I am thinking in terms of dollars and cents, the cost of doing this.

Senator COSTIGAN. Will you permit Mr. Allen Burns to answer this?

Mr. SISSON. May I ask you in reference to one or two matters already mentioned. Is it not a fact that the relief which the Reconstruction Corporation has given saved many from disaster, and there was very little relief effected in each move except through that Corporation?

Senator COSTIGAN. That is an accurate statement.

Mr. SISSON. And may I ask you this question: That there have been some States—I know this is true—that were too proud? That is true in reference to New York State?

Senator COSTIGAN. May I ask Mr. Burns to answer that question?

STATEMENT OF ALLAN T. BURNS, REPRESENTING THE ASSOCIATION OF COMMUNITY CHEST COUNCILS, NEW YORK, N.Y.

Mr. BURNS. In answering that one question I would say that in general money should be let only in answer to a public body, such an organization as my own.

Mr. GOLDSBOROUGH. You do know that when money is to be appropriated, there are many organizations being intrusted with public funds for meeting the public necessities. Have you included in Red Cross?

Mr. BURNS. Yes, sir. They should be required to answer as far as the responsibility of meeting the distribution of funds. I think if the Red Cross or any other national organization were called on to get jobs, that the Red Cross would have to have additional responsibility.

Mr. GOLDSBOROUGH. Your statement indicates that it is inevitable that whenever the financial responsibility can be shifted it is done. My own view is that there are not more than five States in the Union able to take care of those needs if they wanted to do it. If they do not want to do it, they are not organized to do it. They are only organized at the focal points where there is need.

Mr. BURNS. Senator Costigan very kindly permitted me to answer for him a question. And I would like very much to address myself to that very question. I did not take it that Senator Costigan was yielding to me to do so except on that point at that time. But it seems to me that Senator Wagner went very thoroughly into it. I shall be very glad to appear on that point.

Mr. SISSON. I want a further elucidation on the question I asked. I am not entirely satisfied with your answer. It has been brought out here that the administration of veterans' relief, or various pieces of veterans' relief in connection with it, was all put into the economy bill very largely because of dissatisfaction and unfair conduct of the whole scheme of relief that was done under the Government relief; and a moment ago you said, Mr. Burns, that it should be handled

by public agencies. Do you still insist that you have a set-up doing voluntary work who are as good and doing their work efficiently, and that the Red Cross was doing efficiently? Do you still insist that the management of this $500,000,000 should be turned over to people who are trained in getting jobs for all this number of people?

Mr. BURNS. I am not an expert on handling Veterans' Administration Affairs for the Government. I understand that it centers around the fact that certain classes should not be included.

Mr. SISSON. I did not mean that as a criticism or extravagant criticism of the laws that had been passed, but it was a change in the substantial policy of the country with respect to relief.

Mr. BUSBY. Do you regard that as an answer to your question, or a side-stepping to your question?

Mr. BURNS. I do not believe that any Government organizations have been taking on the task of administering $500,000,000 for relief without adding materially to the cost of doing that job as carried in this bill. That is something of an original question of public policy of doing Government relief.

Mr. KOPPLEMANN. Is not that an indictment of your original statement, that you will not do it for nothing? There is no great additional clerical hire, of course. You can handle it better and more economically and give better relief to these people to whom this relief should go?

Mr. BURNS. No; I do not think it should.

Mr. HOLLISTER. Is it not a fact that your organization is made up of several corporations, such as the Salvation Army and so on?

Mr. BURNS. No, sir.

Mr. KOPPLEMANN. What is your local organization?

Mr. BURNS. It is a service information work.

Mr. STOKES. It is not a relief organization?

Mr. BURNS. We are not in a position to distribute funds. I am not saying that if the Government should think we should that we would not be able to distribute funds.

Mr. KOPPLEMANN. And your organizations over the country would not be able to cooperate with the national program?

Mr. BURNS. We would be able to cooperate with them.

Mr. KOPPLEMANN. To be allocated to these States or to be eventually distributed to these different States?

Mr. CROSS. The community chests have, in my country, confined their activities almost entirely to the cities and towns, have they not?

Mr. BURNS. Yes, sir.

Mr. CROSS. And there are many towns under your organization which do not touch or have anything to do with others?

Mr. BURNS. Yes, sir.

Mr. CROSS. That is, very many small towns with which your organization does not have anything to do?

Mr. BURNS. Yes, sir.

Mr. CROSS. And is it not true that this is back in your mind that if you stretch out and are to take in——

Mr. BURNS. You do not understand that I am advocating that.

Mr. CROSS. I understand that. Will not many cities hang back and say let our Federal officials handle it, and our community cease to give?

Mr. BURNS. I think that would possibly be true.

Mr. CROSS. When this occasion passes over, would not there be another viewpoint of declining to give?

Mr. BURNS. I think that is true.

Mr. REILLY. Are not there sufficient functioning charitable organizations to handle the funds if they get the money?

Mr. BURNS. I know there are States that have the organizations. I understand that in this there are involved only those organizations involved in handling the money that the Federal Government will give.

Mr. REILLY. And the only object of this bill is to find out how much the States are entitled to?

Mr. BURNS. Yes, sir.

Mr. REILLY. And the administration is to be handled by the State organizations?

Mr. BURNS. Yes, sir.

Mr. REILLY. In Wisconsin what they lack is money?

Mr. BURNS. Yes, sir.

Mr. REILLY. The principal object of this thing is to find out whether Wisconsin has done all it should do?

Mr. BURNS. $350,000 is a very small matter for the State.

Mr. KOPPLEMANN. If that is true, it is a very small obligation for the Federal Government?

Mr. BURNS. It is a limited Federal activity within the State's activities.

Mr. SISSON. Is it not true that the community chest is an institution for raising money rather than disbursing it?

Mr. BURNS. No, sir; it is both.

Mr. SISSON. I mean do the community chests first raise money through subscriptions or contributions and then allocate it to different voluntary organizations like the Y.M.C.A., and the Y.W.C.A. to be disbursed in their communities?

Mr. BURNS. Yes, sir.

Mr. GOLSBOROUGH. Senator Wagner has to go on the floor of the Senate, and if there is any member who would like to ask him a question they must ask him now or wait till some other time.

Mr. KOPPLEMANN. I know in my town the unemployment relief is being conducted by the community chest of my town.

Mr. BURNS. You are talking about the machinery rather than the source of the funds. I know there are communities where that is true, but take the State of New York. They have no public-relief department, and the exigencies of this tremendous situation has called into existence an organization that is spending some 700 million dollars a month. All the city departments realized that there must be an expenditure of this sum. I believe it was concluded by the welfare authorities that it was much better to have the city of New York to set up its own department to spend the public funds that New York City and New York State have set up, as I have indicated.

Mr. SISSON. Is it not a fact that in many cities where the community chest handles the matter, and there are certain cities who have very small jobs who did get with them, and if the community chest is not furnished with this contribution, for instance, as in New Jersey, they are not equipped to carry on the work?

Mr. BURNS. I think that is true in certain communities, and, as Senator Wagner said yesterday, 90 percent of all the money being contributed up to this time is public money rather than private money.

Mr. BEEDY. I understand you say that $350,000 herein provided would be a mere bagatelle; if it were contemplated that this Federal set-up should do this distributing in the local communities. I say this for the benefit of the gentleman from New Jersey. This set-up simply contemplates that the Federal administration shall say what sum shall be sent to that community. And how adequately it is providing, as Senator Wagner said. It depends on the plans of the different States, and all their plans shall come under this administration. It would contemplate that each State should come under this common administration?

Mr. BURNS. Yes, sir.

Mr. BEEDY. If they are so impoverished they shall have to come to us for a grant from this $350,000.

Mr. BURNS. They have been set up already. Now, if we are going into this question of State and local reponsibility as compared to Federal, that is a local question. I think I am still trespassing on Senator Wagner's time.

Mr. SISSON. May I say that Mr. Burns has not answered and has not been answering the question he is best equipped to answer, that is in reference to serving States when there are States that may not need any part of this relief.

Mr. BURNS. I am sorry I did not know that I was to address myself to that question.

Mr. WADSWORTH. I understood Mr. Burns was well informed on that.

Mr. BURNS. The outstanding fact back of this bill is that each year since the depression our relief expenditures have doubled. That is last year they were 800 percent of what they were in 1929. The figures for the first 2 months of this year indicate that in these first 2 months there has been a 60 percent increase over the corresponding increase a year ago, which would mean a 1,300 percent increase over what they were in 1929. That is the entire expenditures. I think that fact of those so rapid increases is what is back of this bill. They reflect the need the bill seeks to care for. I am a citizen of New York State and I do not know of any State that illustrates this better than my own State.

New York State appropriated $55,000,000 for relief. The last $30,000,000 that it has appropriated was last November. As late as December, our former distinguished Governor insisted that New York was going to be able to get along without applying to the Federal Government. Our present Governor insisted as late as this last November that we would not have to come here for relief and yet in the last 3 months New York State has received some $20,000,000 from this $300,000,000 that was appropriated here. Now, you ask, did New York State exhaust every resource? The answer would be, no. But what would be the alternative. If we were to meet it out of current expenditures, it would mean a very great decrease in our income and if you all know there is a very great difficulty in balancing the expenditures of New York State. So, instead of spending $30,000,000 out of New York's fund, we voted $30,000,000 last November and we anticipated it would be adequate. There has been a very great increase in need in New York State. We did not vote enough, and so our legislature passed on last Saturday night another $60,000,000. But what are we doing in the meantime? We are resorting to very unusual resources like Massachusetts.

Mr. GOLDSBOROUGH. Of course, if it is insisted that——

Mr. BURNS. I would like to turn my attention to what Massachusetts has been doing to meet the situation.

I think, of course in an absolute sense, New York could have increased the taxes to carry enough to get this money, but what do they think? They know we pay taxes down here and back home, and in order to meet relief needs so far we have had to vote bond issues. We have had to vote bond issues in the face of our great big budget that is incalculable so far as the rate of interest is concerned, that is, human needs.

Mr. GOLDSBOROUGH. What has been your connection with welfare organizations?

Mr. BURNS. Twenty-five years.

Mr. GOLDSBOROUGH. What is your organization?

Mr. BURNS. The National Association of Community Chests.

Mr. GOLDSBOROUGH. Your deliberate suggestion is that the best way to handle this is in the line of the bill?

Mr. BURNS. Yes, sir. I believe that the method of meeting it is out of regular Federal sources.

Mr. BUSBY. Do you realize that only 3 months ago the subject you are discussing was discussed before Congress and was not settled in that discussion?

Mr. BURNS. I realize that.

Mr. BUSBY. And not because Congress was given an opportunity to determine it, but because the powers took a hand, so it is unsettled today.

Mr. BURNS. That is true today.

Mr. WADSWORTH. You started to tell us about Massachusetts and some other States. We want to know something about these different States. This is a grant, potentially, to 48 States.

Mr. GOLDSBOROUGH. I do not know of any reason why the committee should not proceed, though we have the option of adjourning at 12 o'clock. I suggest that we proceed until 1 o'clock.

(There was no objection, so the committee continued in session.)

Mr. BURNS. There is this relation of local and Federal funds. I think it is one of the most serious questions of policy and financing connected with the question. Of the 40 States referred to that seek funds from this $300,000,000 up to the 6th of March, only 6 had made any appropriations themselves. But I feel it was due entirely to this matter that Senator Costigan speaks of as a substitute method. I call it a nondescript method. They know they will never pay it back. They say they will pay it back from future road grants. Therefore, I think it was a grant——

Mr. WALCOTT. Do you think it is contemplated we will repeal or review the general State award to States for the next 10 years for highway purposes?

Mr. BURNS. No, sir; I do not.

Mr. WALCOTT. What do you predicate your statement on that the States will not pay back this $300,000,000 fund?

Mr. BURNS. I say that the security offered in the act itself, and I am only quoting the act, provides for $300,000,000, and that all State constitutional requirements of indebtedness and security and so forth were waived, and that the United States Government could expect to have this money refunded in 1935, by subtracting one fifth from each of the next 5 years' awards.

Mr. WALCOTT. Then it will be paid back?

Mr. BURNS. No, sir; by Uncle Sam himself.

Mr. WALCOTT. Then, even if the States do not pay it back it would seem that the States would have to pay this back themselves?

Mr. BURNS. No, sir.

Mr. WALCOTT. It would seem to me that the States would have to either accept curtailments of the amounts the Government here would give to the States for road-building purposes—the States would have to decrease the amount they are getting for road building purposes or take 10 percent from their road-building plans. There is nothing in the law to make them take it out of their good roads building fund. If they carry on their own road-building program, they are getting 10 percent less money each year than otherwise?

Mr. BURNS. My point was illustrating the weakness of this law, that there is a nondescript provision in this law that leaves us all up in the air as to how that is going to be paid back. What I believe about the provision in this law is that a matching basis of one third will be very much more effecting in culling out the local responsibility. I say that that was the basis of our own New York local law. It is the principle of the New York and New Jersey local laws.

Mr. LUCE. You are talking of local public expenditures?

Mr. BURNS. Yes, sir.

Mr. LUCE. What would be the effect on local public philanthropy?

Mr. BURNS. Relief has become almost 90 percent public responsibility, and that the net effect of this will be to prevent the thing that was done in Boston last year when Boston ran out of public relief funds. The mayor of Boston, as you know, solicited the private citizens of Boston to give enough money to get $2,000,000.

Mr. HOLLISTER. Do you see any objection to that?

Mr. BURNS. I do, because you left the other public philanthropies of Boston short that $2,000,000.

Mr. KOPPLEMANN. Because of that collection?

Mr. BURNS. Yes, sir.

Mr. HOLLISTER. I would like that explained.

Mr. BURNS. Relief needs had become overwhelming. That is the universal situation. Boston was put to it to meet its relief plans. Boston has been carrying on its relief out of private funds for many, many years. Now, Boston has been put to it, she does not want to apply for Federal funds. So it deserted its traditional policy of getting the money out of public funds and the mayor of Boston collects $2,000,000 from the citizens of Boston to substitute public funds.

Mr. SISSON. Is that the kind of relief that you speak of?

Mr. BURNS. It does not meet the needs of Boston.

Mr. LUCE. Last Saturday, I sent as big check as I could to Boston. I made as large a contribution to the city as I could. I am pointing out to you the effect that a private contribution has in my own case, which did not in any sense augment the public charity of Boston.

Mr. BURNS. Is this the unemployment relief of Boston?

Mr. LUCE. No, sir. Of Waltham, where I live.

Mr. BURNS. The unemployment relief of Boston did not meet this situation.

Mr. KOPPLEMANN. That is because the people did not have the money to give.

Mr. BURNS. They gave it in other reliefs. My point is that Boston had to resort to a very unusual practice.

Mr. KOPPLEMANN. At present we all do, but the collection of that $2,000,000 did not cut down the usual contributions, the people did not have it to give.

Mr. BURNS. They did not have it to give to both, but the point I am making is that we all have to resort to very unusual practices to meet this very unusual state.

Mr. LUCE. The making of that private contribution has in no way weakened the credit facilities of the National Government.

Mr. BURNS. I am not in position to discuss the whole fiscal policy of the United States. I do not believe that the $500,000,000 loan will affect the credit policy of our Government.

But I do believe that this method of appropriating it will differ more as illustrated in our New York State, as occasioned by the fact we have no welfare department in New York State, on the first 20 million dollars loaned in the State, there was set up a policy of getting $5,000,000 a month. I believe this law will act the same way on the rest of the States, that among the first States that drew money from the R.F.C. within the last 9 months, I believe you will find under this act that the other States will appropriate money just as every city and township in New York State are appropriating money, as they have tremendously increased their own expenditures. I believe this is the most wise way of preserving the maximum of local institutions, but at the same time I believe that anything that has increased 1,300 percent in the last 3½ years, goes beyond all past tradition as to how those needs are to be met. And both Federal and State local contributions will be required to meet those needs.

Mr. HANCOCK. I want to take exception to what you have just said as far as preserving the maximum local institutions from all States. I know this committee has done a lot of good work in an effort to preserve that incentive on the part of the local communities, but my understanding of the reason why the Governor of Maryland came over to get relief was not due to the fact the people had reached the point of exhaustion as to local aid, but as a matter of fact because of the resources the Governor was resorting to to meet expenditures for local aid, that he thought he should go.

Mr. BURNS. His was the forty-second State to come, and the fact that only 46 of those that came contributed leads me to question whether they had contributed the utmost of their ability to meet the need.

Mr. HANCOCK. I think the people of North Carolina have just as high ideas of meeting the local needs as any. We pay more than all the Southern States combined. I know it would be natural for the people down there to conclude that if some States were coming to the Federal Government for relief our State should march up and be one of the first here. Do you not believe that the enactment of this

measure will cease to end, over several years at least, all local distributions?

Mr. BURNS. How will they get this maximum?

Mr. HANCOCK. As I understand it, all your local officers would have to do would be to certify as to their inability to meet the situation and also their insufficiency of money after an effort has been made?

Mr. BURNS. They have to submit their proof to the administrator. If the first provision is for a maximum basis I do not think the administrator would consider very carefully an application that did not make any contribution from the State. I can only speak for what the present R.F.C. has done, as we have done under the present law of New York. The figures this morning give the contributions of $40,000,000—$2,000,000 discretionary.

Mr. HANCOCK. I do not mean that the local people and the States would not go further if they saw a need of it, but has it not been your experience that the average man tries to meet the need in his individual contributions toward charity? In other words, you make up your budget and the average man says I think my percent is just about so and so?

Mr. BURNS. I think that is true, the way the need is being met today.

Mr. HANCOCK. Do you think that is the attitude of the average individual in making contributions?

Mr. BURNS. Before the depression, in making contributions the contributions from public funds was made in that way, through private contributions of individuals.

Mr. HANCOCK. My main purpose in addressing that question to you was to clarify the impression I got from Senator Costigan's statement about the Governor of Maryland. My impression was that he would come here crying, like every other governor would do, for aid, when they were draining the Public Treasury to the extreme. I think he would be foolish not to have come.

Mr. BURNS. A year ago I advocated this proposed law to this committee.

Mr. SISSON. Right at that point, out of your experience, do you not believe that if these States took this money as a loan rather than an outright gift, the thought that they would have to return it would have the effect of reducing their abuse of it?

Mr. BURNS. You are talking about a genuine law rather than a subterfuge law.

Mr. SISSON. My question is that out of the abundance of your experience, as a director, would it not be a fact that the directors would have a tendency to watch this money if it were given as a loan instead of an outright grant?

Mr. BURNS. If it were a loan I think that is true—if it were given as a loan rather than an outright grant. The last act tried to make them give security, but it resulted in being a nondescript law. My own experience is that the device that will be the most likely to call out the maximum local resources— and I am most interested in that because I think we are interested in the maximum total local resources, for if we neglect that it will be just as easy as if we neglect the Federal function. The thing that will call it out is the Federal and local functioning.

Mr. KOPPLEMANN. We have had a banking situation in Michigan that has not been local for the month. We have had a situation where the township has collected the township, school, and State tax, and the banks tying up all these State and county funds so that the county of St. Claire has been forced to borrow from the Reconstruction Finance Corporation ever since it has been lending in the last 2 months. Last month they, the State, borrowed $72,000. The county of St. Claire is obligated to the Federal Government in some manner.

Mr. BURNS. The loan of the local governments is not the subterfuge.

Mr. KOPPLEMANN. Then the raising by the county entitles them to come back and get a grant of $24,000 more. That is all. What inducement is there to the county of St. Claire to get a local contribution for relief purposes if it be true, according to Senator Costigan, this obligation will be wiped off the books? If the county can come in here and get $24,000 more, what inducement is there to the people of St. Claire to come in here and get $24,000 more, because I am sure that they will only need $600,000 this year?

Mr. BURNS. I am sure the law requires absolutely good collateral.

Mr. KOPPLEMANN. The county of St. Claire has not any collateral to put up?

Mr. BURNS. They probably got it from the State and not direct from the R.F.C.

Mr. KOPPLEMANN. Then with respect to that particular fund, there is no subterfuge about the loan. They have to pay that back?

Mr. BURNS. Not if they got it back from the State. There is no compulsion in the original law to make the State pay it back.

Mr. KOPPLEMANN. Why should that be used as a basis for further grants to the municipalities?

Mr. BURNS. Let me give you the further statement about Michigan. I was in Ohio 2 or 3 weeks ago. All the Ohio papers were saying that Ohio was seeking a sugar-fund relief appropriation. We have been praying for $23,000,000 relief in Michigan, and has gotten $15,000,000 for relief.

Mr. KOPPLEMANN. I do not want my stand on this bill to interfere with what Mr. Luce, I believe, asked Senator Costigan a while ago about why the States should not share some of this burden. I am going to take my own State as an example. The State of Michigan had no available relief plan until forced to do so by the R.F.C., within the last few months, and the Governor has made a statement—it was a gesture to get money from the R.F.C. Do you think the Government a measure for the purpose of getting relief from the R.F.C.?

Mr. BURNS. Yes, sir.

Mr. KOPPLEMANN. What is there in this bill to prevent that practice?

Mr. BURNS. The maximum requirement.

Mr. KOPPLEMANN. The real thing in this bill is to provide the R.F.C. some means of providing a plan of getting security, at home. Would it not be a good plan under this bill to require some State-relief plan?

Mr. BURNS. The Federal Government has no power to compel States.

Mr. KOPPLEMANN. They have certain powers to require States to meet certain conditions in order to get relief?

Mr. BURNS. Oh, yes. This grant is new in this bill. It was not applied in the old bill. I think that is the reason of it. I think under this bill Michigan will do more than make gestures.

Mr. HOLLISTER. After October 1 all the money was put in roads. Would it not be better now to make it solely a matching provision?

Mr. BURNS. I do not think so, because taking New York City, you have all heard of some of the things in New York City—the matching provision of the New York State law has set a conditional $5,000,000 a month. The State gave them $2,000,000, or 40 percent of that. They took that over and they said that was not enough. They looked over conditions and said that was enough for April. It was our richest city. It encourages them to go ahead to the limit of our conditions.

Mr. HOLLISTER. They got money anyway under the matching condition, whether or not. If under the matching condition they got only $2,000,000 they would have been able to get $5,000,000 otherwise.

Mr. BURNS. The existing government is the first under the law. It really calls into being your public-welfare departments. The relief department of the State of New York was called into being by this department. My argument is that by matching you do not always get enough money.

Mr. KOPPLEMANN. Mr. Chairman, Mr. Burns will be before this committee tomorrow.

Mr. GOLDSBOROUGH. The chairman suggested that when we adjourn that we adjourn to meet again tomorrow at 10:30 a.m. We will now adjourn.

(Thereupon, at 12:45 p.m., the committee adjourned until Thursday, April 13, 1933, at 10:30 o'clock a.m.)

UNEMPLOYMENT RELIEF

THURSDAY, APRIL 13, 1933

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The committee met at 10:30 a.m., Hon. Henry B. Steagall (chairman) presiding.

The CHAIRMAN. The committee will please come to order. There were some members of the committee who wished to ask Senator Costigan some further questions. Senator, will you please resume?

STATEMENT OF SENATOR EDWARD P. COSTIGAN—Resumed

Mr. WOLCOTT. Senator, I should like to ask some questions with reference to policy. Possibly they do not go to the spirit of this bill. It was announced the other day through the press and on the floor that these measures which we now have before us, and which we will have before us shortly, will provide that an aggregate amount of bonds will be issued and sold of something like ten billions of dollars. We were just discussing what effect in your opinion it might have upon the industrial and municipal and government bond market if we floated issues of bonds aggregating ten billions of dollars within the next 6 months.

Senator COSTIGAN. Mr. Chairman, as a member of the Banking Committee of the Senate I presume I am no more competent to pass on that question than are the members of the Banking and Currency Committee of the House. The Banking Committee of the Senate has had before it various witnesses who have been interrogated with respect to the credit of the Government and the possible limits of further bond sales. The last witness who testified on that subject, as I recall it, indicated, without specifying any particular limit, that our credit might stand a further expansion in the way of bond issues, or a total expansion in the way of bond issues of approximately 35 billions of dollars.

Mr. KOPPLEMANN. What is it now, if you know?

Senator COSTIGAN. I do not attempt to pass on that question. I have forgotten the latest figure, Congressman.

Mr. DISNEY. Twenty billions, I believe.

Mr. WOLCOTT. Is it not logical to assume that if they enter upon such a vast program of bond issues, whether it be direct obligations of the Government or obligations of subsidiaries and quasigovernmental agencies, that there will be a tendency possibly for depositors in banks to draw out funds on which they are receiving 3 percent and 3½ percent on deposits and buy these obligations, thereby taking

that much more money out of the regular channels through which business and industry get their money with which to do business?

Senator COSTIGAN. There has undoubtedly been a disposition on the part of bank depositors to seek are treat for their investments in Government bonds. If we are to assume that industrial conditions are to remain as they have been or are to grow worse, that tendency doubtless would be intensified. If we are to assume that conditions will speedily become better, I take it for granted that the disposition will be to withdraw funds for investments in the more familiar lines where larger profits are to be expected.

Mr. WOLCOTT. I did not have reference particularly to the bond issues proposed in this bill, but I was referring to all of them in the aggregate.

Mr. BUSBY. Senator, with respect to that question, it impressed me yesterday that an issue of $500,000,000, as provided for in this bill, would add quite a sizeable sum to our already large national debt, large especially in relation to the paying and buying power of the people. In other words, if you take the dollar at its present buying power, and compare it with the dollars of 1926, when some of our debts were contracted, our debts would amount to between 38 and 40 billions of dollars. Now, $500,000,000 added to that is a proposal that was of interest to me, because I am at a loss to see, with only 40 percent of our currency in circulation, according to the Federal Reserve Bulletin, how it would be possible to find purchasers for the tremendous amount of bonds that are going to be demanded on this occasion and other occasions.

If I may make a better premise: I turn to the report of the Comptroller of the Currency and I find that all of the properties properly belonging to the banks of this country in June were no more than $8,092,000,000. That is what the bankers own. Now, I am making this statement with a view of getting your opinion later. There were $45,000,000,000 of deposits at that time, created largely by borrowings of the depositor from the bank. In other words, the depositor, wanting to borrow $5,000, would go to the bank and give the bank a mortgage on tangible property for $5,000, and the bank would give the depositor credit for that amount, and it would show up as assets of the bank. That is the usual course.

Now, 33 billions of loans by the banks to the depositors created the bulk of the 45 billion of deposits shown there. As to the 33 billions of dollars, the bank entered a charge against the borrower. Now, this is the point: The bank takes the credits placed there by the depositors and goes over and buys Government securities with the depositor's money. Then, as a taxpayer this depositor is charged again by the bank with interest on the bonds that his funds helped the banker to purchase.

After we have taken their 20 billions and invested that in Government securities—and more than half of it is in the hands of the bankers of this country—how are we going then to add 35 billions of additional bond purchases to the 20 billions of national bonds outstanding, when there is not currency and there are not bank credits in this country that will total the amount, if all of it were devoted to the purchase of national securities? Have you gone into that question, have you thought about it—as to the possibility of our continuing this course of issuing unlimited amounts of securities and converting private debts into public obligations guaranteed by the national Government?

Senator COSTIGAN. With the permission of the committee, I should like to be excused from a discussion of the large problem which has been so interestingly presented, and confine my answer merely to the statement that no one connected with the Government has questioned the ability of the Government to float the securities required for the purposes of this particular bill. If a full discussion of the financial resources of the Government is desired by the committee, of course I shall endeavor to comply with your wishes.

Mr. BUSBY. Senator, my only object in asking this is that this seems to be the beginning of the taking of the lid off in Government financing, without asking rhyme or reason as to why we are doing it, the advisability of the procedure or the possibility of continuing that course that has for the first time been presented by this bill; that of giving away that which the people must repay in the form of taxes. That is why I have raised the whole question.

Senator COSTIGAN. The question is properly raised, of course, and I may add that various attempts have been made from time to time to add amendments to the bill which went through the Senate and which is now in substance before this committee, designed to provide original methods for raising the moneys out of which we are to provide grants in aid to the States.

For one, I have hoped, in view of the emergency character of this legislation and the great human need on which it is built, that our discussion will not be transferred from relief to currency. For example, it might be provided that we should pay this distress fund out of silver to be purchased in the market or it might be provided that we should issue fiat money with which to meet the human need of which we are speaking. It seems to me that discussions of subjects like that, however important, should be deferred, and that our thoughts should be focused upon the problem of remedying as fairly and efficiently and promptly as possible the conditions of widespread distress with which we are all familiar.

Mr. BUSBY. If I may offer one further suggestion. You realize that these bonds are not paid for with money. It is the credit created money as I have disclosed undoubtedly that goes to pay for the bonds when they are purchased. This is the proposition. The banks find it—and necessarily so—impossible for them to make additional loans on properties and on commodities because there is no buying power in the people; and the bank having made the loan, there is no hope of offering it at public auction and securing a purchaser to repay the banks. So the bank's possibilities being curtailed as they are by circumstances—the low buying power of the people—I call your attention to the fact that it is impossible for use to pursue this course and find the credit or the wherewithal to take care of these bonds when they are placed before the country for sale.

Mr. KOPPLEMANN. Mr. Chairman, may I interpose at this moment? Norman Thomas, during a lecture in my town, advocated the spending of huge sums of money for employment purposes. Not as well as Mr. Busby, I did, however, ask that same question of Mr. Thomas at that meeting, and his answer was, while not an answer, that during the World War we were able to raise untold amounts, never before

known in the history of this country, and he said that if we desired to do so, the money could be raised now. I did not know but perhaps that might help you, Mr. Busby, in connection with your question. It does not definitely answer it, except in a general way.

Mr. BUSBY. We have still got that burden that we created and doing what Mr. Thomas suggested, with the present buying power of the dollar, those debts that we incurred then have greatly increased until it now stands, not at 26½ billion dollars, its peak at 1926 prices, but at more than 37 or 38 billions, in the light of our buying and paying power today. That is the fundamental thing to which we must look before we begin this other course of action.

That is all, Mr. Chairman.

Mr. DISNEY. May I ask you a question, Senator? The proposal is to issue tax-exempt securities, as we always have; that is correct, is it not?

Senator COSTIGAN. Are you asking the question whether these will be tax-exempt securities?

Mr. DISNEY. Yes.

Senator COSTIGAN. It is assumed here that the Reconstruction Finance Corporation will sell its debentures. So far, none of those have been placed on the market, as I am advised. The Treasury has been taking those debentures of the R.F.C. and advancing the funds. Apparently that course will be pursued.

Mr. STOKES. Those debentures will be guaranteed, both as to principal and interest, by the United States Government.

Senator COSTIGAN. Doubtless; by the full credit of the Government.

The CHAIRMAN. That is the provision of the Reconstruction Finance Corporation Act.

Mr. DISNEY. Since the scarecrow of fiat money has dropped into our midst, with all due respect—that is, I do not mean to say this as anything against the bill, or anything of that kind—I think that we ought to recur to the definition of fiat money which is in its strict and technical sense money not redeemable in lawful money or coin. There have been so many references to that famous old scarecrow that I think we ought to stay by its technical definition.

Mr. SPENCE. I would like to ask the Senator a question about the administration of this measure. The governor of the State must make application to the administrator for funds.

Senator COSTIGAN. That is true.

Mr. SPENCE. Then he provides suitable standards for relief, and the purposes for which those funds which are requested are to be used, and that is approved by the administrator. As I understand it, the administrator's decision is final. The suitable standards of relief, I assume, will be uniform for all the relief granted by the States. There will not be any segregation of these funds from the State funds. Would not that give the administrator power to say how the States should administer this relief, not only with the national funds, but with the State funds?

Senator COSTIGAN. It remains to be determined whether the administrator will so interpret the act. Doubtless, the bill as drawn desires to secure uniformity. The language, however, is elastic, and the uniformity might be confined to limited areas or even to limited groups.

Mr. SPENCE. Did you ever hear of an administrator doing away with any of the powers that had been granted him? Is it not the usual tendency to grasp more powers?

Senator COSTIGAN. I did not intend to suggest that he would do away with powers. My suggestion was that he would use them somewhat elastically.

Mr. SPENCE. I am not making any argument against the provisions of this bill. I believe the hungry should be fed. I believe the hungry should be fed and the naked should be clothed, but I think there ought to be some little vestige left in the States of their powers.

Senator COSTIGAN. The real purpose of the act is to preserve, so far as practicable, administration by the respective States, subject only to safeguards thrown around the expenditures of the Federal funds. We have those two tendencies exhibited in the various State aid acts with which you are familiar; the most notable of which, perhaps, is the series of acts providing for road funds in the different States.

Mr. BEEDY. Senator, inasmuch as you have just brought it out, that thus far the debentures of the Reconstruction Finance Corporation have been taken by the Treasury of the United States and not put on the market; of course, we all know that the reason for that is that there is no money in the country today to buy any more bonds, nor has the Government the money with which to buy them, and they are borrowing on short term obligations to enable them to take these debentures. We are running behind at a rate variously estimated from 5 to 10 million a day. How far do you really think we can go with this kind of legislation? You propose adding on $500,000,000. We may stand that strain. But how far can we go, Senator?

Senator COSTIGAN. My personal conviction is that the economic conditions in America are such that unless there is a fairly early revival of industrial activity, and I see no other instrument to assist that revival at this time but the Government, the future is unpredictable.

Mr. BEEDY. Do you know of any way by which the Government can make business? Did you ever know of a Government that could do anything in the way of passing laws to manufacture business?

Senator COSTIGAN. A good many Members of Congress are of the opinion that it would be possible, through a large public-works program, to stimulate business activity throughout the country. Others are persuaded that by the extension of credit to those who need to purchase—not along the lines of private extensions of credit merely to banks, railroads, trust companies and the like—it would be possible to enlarge purchasing power in this country so that industrial activity would begin.

Mr. BEEDY. Senator, who is going to extend the credit? We are losing five to ten millions a day. The banks cannot extend it, because nobody has any value on which to borrow. Your public-works program is a further continuation of just this kind of legislation which is getting us more and more into debt. Who is going to extend the credit?

Senator COSTIGAN. We have very successfully extended credit, as you are aware, for the last year and a half.

Mr. BEEDY. Are we not pretty near the limit, Senator?

Senator COSTIGAN. The first answer that I gave today, I think, was one which would cover the question now submitted.

Mr. BEEDY. I am sorry; I was not here until late.

Mr. BUSBY. I would like to say this, Senator. An extension of credit always requires the repayment of the amount equal to what was put out with added interest, does it not? And it puts the borrower admittedly in a hole, to begin with, to the extent of the interest and the financing charges.

Senator COSTIGAN. There are very definite disadvantages about increasing the debt obligations of the country. I, for one, am not so pessimistic as to believe that the Government of the United States has nearly exhausted its credit.

Mr. BUSBY. The Government absolutely has exhausted its credit. There is not any controversy—there is no question in my mind, at least—that unless the people will come in and pledge their tangible properties to support new credit, the Government will have to issue fiat bonds or fiat money. The Government has not got any except what it gets from the people, and if the people do not come in and pledge their tangibles and their future earning power as it may be mortgaged by bond issues, the Government has all the time exhausted its credit. In other words, the people must cooperate and furnish the background that the bankers say is safe for the issuance of this credit.

Senator COSTIGAN. Perhaps some of you may recall, as I do, at the beginning of the World War in Europe it was commonly stated at the time, among others by no less a person than David Starr Jordan, that it would be impossible to finance a world war for three months. We lived to see the war go on year by year. Very often those predictions which rest on theory are not fulfilled.

Mr. BUSBY. Do you have an explanation as to how that was done or why?

Senator COSTIGAN. Well, I have my own impressions that the resources of the world for purposes of destruction appeared to be ample, and in my judgment they ought to be ample for purposes of construction.

Mr. BUSBY. Let me give you another picture of that, Senator. As I understand it, as long as men will accept other men's promises to pay and there is no paying going on, you can go as extensively as they can place figures upon paper, one agreeing to pay, the other to accept; and that is the way the war debt was created. But let me show you how it is being met. Germany deliberately—and that is the key to all of this American opposition to the issuance of currency—deliberately inflated currency and made it legal tender so as to wipe out those foolish promises and those foolish acceptances on both sides. There was not any real wealth involved. I hope I am not wrong in that. We are suffering a spell on the opposite side of the calendar by having the money people wipe out properties, commodity values, and the masses of the people in America in order to make the dollar ring true on every money counter in the world.

There was no real value put into that proposition when the world accepted promises and others took those promises which never could have been met; because the properties of the world were not sufficient to cover the obligations that had been assumed. They were wiped out in another way—purposely so. Germany ruined the creditors, and the middle classes by settling their debts that way. We are ruining the masses, the consuming classes and labor by requiring them to go through bankruptcy while we uphold the dollar. That is my view.

There were no values involved on either side in that case; that is a myth.

Now, if we cannot finance things in that sort of way, if they will not let us offer our promises to pay and have them accepted in the usual way that banks accept them and create a basis for credit in that way, I am still at a loss to understand with a high dollar, how we are going to come through and finance your proposition here and others that are standing ready to knock at the door and demand that the public coffers of this country take over private debts.

Senator COSTIGAN. If this committee will vote to report out this bill and the Congress shall enact it into law and the President shall sign it, and if it provides the relief so urgently required, whether with or without values in the sense to which you have made reference, I shall be entirely satisfied.

Mr. BEEDY. That is your position, then. We know, of course, that there will be no money. We cannot pay out any money to support this program. What is going to happen is as you have suggested——

Senator COSTIGAN (interposing). The Treasury is entirely satisfied that this——

Mr. BEEDY. That they will take some more Reconstruction Finance Corporation bonds and they will issue some more short-term obligations and borrow $500,000,000 and we may survive another year.

Senator COSTIGAN. And the relief will be extended.

Mr. BEEDY. In the meantime we have got to feed these people and if we break feeding them it is better than that we break letting them go hungry; that is your position?

Senator COSTIGAN. Decidedly.

Mr. STOKES. How long do you think this $500,000,000 fund will last? You say it will be needed about the 15th of May?

Senator COSTIGAN. My personal judgment is that in conjunction with the contributions of various parts of the country, we shall be fortunate if it lasts 12 months. We had considerable testimony on that subject from those who are most informed on conditions throughout the country. The general feeling of experts was that the country cannot go through another 12 months without an expenditure in excess of $1,000,000,000. Much of that, I hope, will be contributed from the respective States.

The CHAIRMAN. Senator, where are those statements to which you refer?

Senator COSTIGAN. They are contained in the report of our Senate hearings, Chairman Steagall.

The CHAIRMAN. When were they held?

Senator COSTIGAN. They were held in January of this year. Of course, in the meantime there has been available a substantial portion of the funds of the Reconstruction Finance Corporation. Those funds are not wholly exhausted, although they are expected to be exhausted by the 1st of May.

The CHAIRMAN. So that it is figured that this legislation is required by the 1st of May, or the relief under this legislation is required by

that time. Do you figure your period of 1 year from the 1st of May or from the date of your hearings in January?

Senator COSTIGAN. From the 1st of May or from the present day.

Mr. DISNEY. Do you think, Senator, that cutting down of acreage and the different plans to stop the production of food and clothing will naturally add to this distress?

Senator COSTIGAN. Without doubt, in my judgment.

Mr. DISNEY. Do you know of anything that we lack in the United States to feed our people?

Senator COSTIGAN. In the way of supplies or capacity for production?

Mr. DISNEY. Actual stuff to feed them.

Senator COSTIGAN. At this time I think we have ample supplies of food and clothing, if we can find a way to bring the hungry people and the surplus food together.

Mr. KOPPLEMANN. There has been introduced a bill by Representative McCormack to provide funds for individuals who are small-home owners of 1-, 2-, and 3-family homes to pay their taxes and penalty for nonpayment of taxes. Would such a measure providing moneys to the communities throughout America which they, in turn, might use for unemployment relief, help relieve distress? Do you know anything about that particular phase of money raising?

Senator COSTIGAN. Nothing more than you do, I am sure, Mr. Congressman. It is obvious, of course, that the taxes so paid will go into the treasuries of respective counties of the country. Interest presumably will go into the pockets of those who may be generous contributors to private relief. Out of the tax funds it is conceivable that some money might be appropriated for public relief. But the chances are slight in my opinion that such contributions would be helpful to the relief problem as a whole.

Mr. KOPPLEMANN. That, of course, is aside from the question of protecting the small home owner.

Senator COSTIGAN. I refer now to the relief of the destitute. Of course, the relief to those who are pressed by taxes and interest payments would be substantial.

Mr. KOPPLEMANN. It would be substantial.

Mr. BEEDY. Senator, there was one question I wanted to ask, if I may. I do not think that it is of very great importance, perhaps. Would you refer to page 3, section 3, in the middle of the section, where it states that the administrator shall receive a salary to be fixed by the President? Probably there was some precedent for that. At the time I first read it and now I confess I have some curiosity as to why that was left that way. Was that suggested by the draftsman of the bill, or was there some other specific thought behind it?

Senator COSTIGAN. In the original draft of the bill which preceded this bill the salary was fixed.

Mr. BEEDY. How much was it?

Senator COSTIGAN. My recollection is that it was $10,000 originally. It was the feeling of Senators Wagner, La Follette, and myself that it might be possible to secure an effective administrator who would serve for substantially less; and that it might be necessary to pay a particular sum such as that being received by a particular administrator at this time, if the President deemed it wise to induce such an administrator to come here for such a service. In any event, it was felt better to leave it to the President's discretion.

Mr. BEEDY. At any rate, it was never contemplated that there would, by any possibility, be a greater salary than $10,000 paid to anybody for this work, was there?

Senator COSTIGAN. It was not within my desire or purpose that that be done, although it is conceivable that it could be done under this language.

Mr. BEEDY. Would you have any objection to inserting an amendment here to the effect that the salary paid may be within his discretion, but in no event to exceed $10,000?

Senator COSTIGAN. I should regret an amendment which would prevent the appointment of a man who, by virtue of his efficiency, could serve the country at this hour in such fashion as to save it substantial amounts of money, if there were a slight variation in salary such as indicated by your question.

Mr. BEEDY. I was wondering if there is any man in the country who in this extremity would insist on getting more than $10,000 in view——

Mr. DISNEY. Less 15 percent.

Mr. BEEDY. Yes, less 15 percent, just as the rest of us are taking it. I think perhaps the public reaction might be a little better if we put some limit in there.

The CHAIRMAN. I should like to ask a question right there. Was it actually contemplated that there would be a larger amount than that fixed as the salary?

Senator COSTIGAN. I think there was some discussion.

The CHAIRMAN. Is that in the hearings?

Senator COSTIGAN. But it was not expected, I think—did you say in the hearings, Chairman Steagall?

The CHAIRMAN. Yes.

Senator COSTIGAN. So far as I recall, there was no discussion of any such subject in the hearings.

Mr. DISNEY. Senator, will you refer to section 5? Do you think that the bill is drawn with sufficient restrictions to prevent certain State officials from making primary campaigns with the funds used in some States; that is, making it a personal exploitation?

Senator COSTIGAN. Do you refer to any particular subdivision?

Mr. DISNEY. I was wondering if section 5 would be strong enough?

Senator COSTIGAN. Do you have reference to any one of the subdivisions, 1, 2, 3, or 4?

Mr. DISNEY. Not particularly. Do you think the administrator has sufficient power, generally speaking, taking the bill by its four corners, to stop such practices if they arise?

Senator COSTIGAN. It is assumed that he has ample power to stop any departure from careful and efficient expenditures of funds.

Mr. WILLIAMS. Senator, let me ask you about subsection (d) on page 6. Is it your thought that the matching fund will be exhausted by October 1, 1933, as provided by that section?

Senator COSTIGAN. It is conceivable that it will. It is also conceivable that through some emergency the $300,000,000 might be exhausted and it might be desirable to transfer a fund. As a matter of fact now the possiblity was contemplated, but the law was designed to be so elastic that it would be possible to transfer funds from the matching group to the relief on the basis of need.

Mr. WILLIAMS. This entire act is intended to cover a period of 2 years?

Senator COSTIGAN. It was so drafted.

Mr. WILLIAMS. And it is provided that there may be and can be transfer of those funds, after the 1st of October of this year?

Sentor COSTIGAN. That is true.

Mr. WILLIAMS. It occurs to me that that is perhaps a little early.

Mr. KOPPLEMANN. What is the advantage of dividing the fund between $200,000,000 and $300,000,000.

Senator COSTIGAN. The purpose, as explained yesterday, was to procure as much local assistance in raising funds in the form of matching as possible. The $200,000,000 was appropirated with a view to matching by the States, and it was the design of those who drafted the legislation that the first applications for funds should come under the matching clause. Of course, if it should develop that the States were unable to assist at all and that the need is urgent, it would be possible for the Administrator to make appropriations on the basis of need.

Mr. WILLIAMS. There is one other question, Senator. The expression is used in the administration of this act, "furnishing the necessities of life." Just what does that expression cover, what is it intended concretely to cover?

Senator COSTIGAN. Presumably food, clothing, indispensable medical attention and like items which might suggest themselves to you.

Mr. WILLIAMS. Shelter, rent?

Senator COSTIGAN. This is broad enough to permit provision—that is, the act as drawn is broad enough to permit appropriations which will cover shelter and even rent, when the need is urgent. I should suppose that the Administrator would be inclined to limit amounts as far as practicable to the most urgent necessities.

Mr. WILLIAMS. It has been suggested here that it would cover the matter of taxes on homes.

Senator COSTIGAN. It has never been within the contemplation of any person to cover that, so far as I know.

Mr. WILLIAMS. In your hearings, Senator, was there disclosed the amount expended for the year 1932 for relief, of the character contemplated in this bill, in round figures?

Senator COSTIGAN. Mr. Burns, have you that figure in mind?

Mr. BURNS. About a billion dollars, is the best available estimate on the last most available statistics.

Mr. KOPPLEMANN. Does that cover the entire year?

Mr. BURNS. Yes.

Mr. WILLIAMS. That is the entire field.

Senator COSTIGAN. That is the entire field of relief, yes.

Mr. BURNS. That is true.

Mr. WILLIAMS. Public and private.

Senator COSTIGAN. Public and private.

Mr. BURNS. The private part of it is only 10 percent.

Mr. WILLIAMS. That covers the entire field of relief?

Mr. BURNS. But not charity; just relief.

Mr. WILLIAMS. What is the distinction?

Mr. BURNS. Relief in the limited sense of material care of those who are destitute. It does not cover such things as the management of hospitals, nursing associations, child-welfare clinics, etc. It is relief in this material, limited specific sense.

Mr. WILLIAMS. The amount of money paid out to furnish the necessaries of life to the needy?

Mr. BURNS. That is it.

Mr. WILLIAMS. And that was a billion dollars last year in the United States?

Senator COSTIGAN. It is to be borne in mind that the need for relief is increasing with extraordinary rapidity.

Mr. SPENCE. Have you any figures as to how many destitute people there are in the United States?

Senator COSTIGAN. I should prefer to have Mr. Burns answer that. Our own testimony showed between three and three and a half million families were receiving relief. As I suggested yesterday, there is a large migratory army roaming over the United States, and it was apparent from the testimony that there were many in need of relief who were not receiving it. One witness testified, for example, that there were—as I recall it—30,000 families in one community who had applied for relief that were unable to receive it because of the lack of funds; that there were in other sections of the country thousands of people whose cases could not be investigated because of lack of funds, although they had made similar applications.

Mr. KOPPLEMANN. Is there an estimate of the percentage of people destitute as compared with the number of people unemployed?

Senator COSTIGAN. As I recall it, one witness testified that in the State of Pennsylvania there was something like 30 percent of the working population of the State unemployed; about 10 percent were on the relief rolls; the figures were not very much different for the city of New York, it is my recollection.

Mr. BURNS. No. You take 13,000,000 unemployed——

Mr. KOPPLEMANN. The 13,000,000 are individuals; I was referring to families. That is, I am trying to get at the percentage, as near as it can be arrived at, of those who are in need as compared with those who are unemployed at the present time.

Senator COSTIGAN. The figures which I have given you for New York and Pennsylvania are probably the best generalization that we have.

Mr. KOPPLEMANN. That would be about one third.

Senator COSTIGAN. Unless Mr. Burns has later and more accurate data.

Mr. BURNS. I think the nearest approach to it is the 13,000,000 unemployed and some 4,000,000 families at the present time.

Senator COSTIGAN. The number has grown evidently from 3,500,000 families to 4,000,000; from January to this date—from 3,500,000 or less?

Mr. BURNS. It has; yes.

Mr. KOPPLEMANN. That is families as against individuals.

Mr. BURNS. The average would be between four and five in a family. Of course, the 13,000,000 are individuals.

Mr. WILLIAMS. There is one provision, Senator, I would like to ask a question about as a matter of information. On page 6, in line 11, it is—

Provided, That the Administrator may certify out of the funds available by this sub-section additional grants to States applying therefor to aid needy persons who have no legal settlement * * *.

The expression "legal settlement" is vague, to my mind. What does that mean?

Senator COSTIGAN. Doubtless it means legal residence.

Mr. WILLIAMS. I was just wondering why that was not covered by the language on page 5, lines 10 and 11, which state:

> To provide the necessities of life to persons in need as a result of the present emergency, and/or to their dependents, whether resident, transient, or homeless.

Why does not that cover the whole field?

Senator COSTIGAN. So far as I know there is no necessity for repetition there.

Mr. WILLIAMS. The expression "legal settlement" is a new one to me. It really does not mean anything to me.

Mr. SISSON. Mr. Williams, will you pardon me if I make a suggestion?

Mr. WILLIAMS. Of course.

Mr. SISSON. I think the law differs in various States. In the State of New York, for instance, in our poor law we have what is known as a location which is in that sense a legal settlement; in other words, the poor person must have resided a certain length of time; he may have had a residence for voting purposes and still not be entitled to relief under the State laws. It occurred to me possibly that was elastic enough to cover the situation in different States.

Mr. WILLIAMS. But if you will turn to page 5, lines 10 and 11, you will find that it provides for all of them whether resident, transient, or homeless.

Mr. SISSON. That is true; but I think that was the purpose of the language.

Senator COSTIGAN. The repetition, if it be so regarded——

Mr. WILLIAMS (interposing). Let me make myself clear first, Senator. I thought perhaps that expression "legal settlement" had a particular application there that I did not understand, and I simply wanted to clear it up.

Senator COSTIGAN. It is not my understanding that it was designed to be differentiated from the homeless and the transient group mentioned. It seems to me the repetition does no harm. If anything, it is calculated to emphasize what may be regarded as a peculiarly national problem of destitution, the one of which I have spoken before, namely, the problem of the migratory groups roaming the country.

Mr. HANCOCK. Without intending at all to be sentimental, after all, in this moment of catastrophe and hour of human misery and suffering, this bill is intended to be the best answer in the affirmative that can be given under these conditions to the age-old question, "Am I my brother's keeper?"

Senator COSTIGAN. That statement impresses me as a forceful and appropriate one.

Mr. STOKES. Senator, do you look to see this Administrator growing into a larger department from year to year, for instance, as has happened with the Department of Agriculture? That was started as a bureau in 1862. Mr. Cleveland in his message of 1888 suggested that it be a department with a cabinet head, which suggestion was adopted in 1889. Today all the country knows just what that has grown into. Do you think this will follow the same course?

Senator COSTIGAN. The bill has no such purpose. It is, as Senator Wagner suggested the other day, an attempt to meet realistically a very vital, pressing, and immediate problem. What the future holds in store in this respect as in others is unpredictable.

Mr. DISNEY. The Department of Commerce might be mentioned in that connection with the mushroom growth of the Department of Agriculture, as well.

Mr. STOKES. In other words, would it be possible for one of the present existing departments to handle this work without having a new bureau started, thus saving money to the taxpayers?

Senator COSTIGAN. It would be possible.

Mr. STOKES. Would it be advisable?

Senator COSTIGAN. In our judgment and in the judgment of those who have most carefully followed the legislation or the suggestion of legislation, it is not advisable. It was desirable to have a separate activity dealing directly with this problem. In the original bill which was drafted by some of us we provided that it should be administered by representatives of the Department of Labor, the Department of Agriculture, a representative of the vocational educational work with the Chief of the Children's Bureau as the chief administrative official. That suggestion, which had the merit of utilizing existing public officials, was not acceptable to members of the Senate and we finally worked out the present draft.

Mr. CHURCH. There does not seem to be any doubt whatever that the States have not exhausted their full strength in helping the needy.

Senator COSTIGAN. In some instances that apparently is true.

I was visited this morning by two gentlemen who attended this hearing on yesterday. They came from Arkansas, and I inferred from what they said that that is a very generalization as to their State. In the case of New York, doubtless the State can assist materially and it has prepared to do so. The remoter portions from where we sit—the West, the South, and some other regions are in a sense not able, not to mention the great industrial centers, of course.

The CHAIRMAN. Senator, if there are no further questions to you, I suppose we might excuse you. I thank you very much.

We will hear from Mr. Burns now.

STATEMENT OF ALLAN T. BURNS, REPRESENTING THE NATIONAL ASSOCIATION OF COMMUNITY CHESTS—Resumed

Mr. BURNS. I was asked to prepare a memorandum, and if the clerk would be good enough to distribute them, I am going to talk to the facts. I would like to have these data included in my remarks.

The CHAIRMAN. Let the record show that these documents are a part of Mr. Burns' statement.

Mr. BURNS. Mr. Chairman, I should like to preface my remarks by saying that there is an impression that this committee is so deeply concerned with the fundamentals of our situation that it is most cheering and encouraging. We all have to recognize that what we discuss today is merely a palliative and stopgap, dealing with the immediate distress rather than going to the roots of our real problem. I suppose we do have to have stopgaps, but if a man's house is burning down it is very little comfort for the fire department to advise him that they are devising new fire prevention laws. This is only a welfare department and we are not dealing with fire prevention. We do need to put a fire out when it starts before we can reconstruct.

I would like to call your attention to this chart which illustrates the best reason I know why we gave the Federal relief a year ago. Each of these lines represents a month, starting with January 1931. It shows the extent to which the increases in needy families exceeded the increases of relief supplied. This longest line here [indicating] is April a year ago, when the increase in families in need over the corresponding month of 1930 was 139 percent more than the relief that was supplied. In my judgment it was that disparity between the very rapid increase in families in need of relief and the amount of relief there was to be supplied, that brought the Federal Government into the situation.

I think it is at least somewhat consoling to know that by December (the figures will be in the statement I have submitted), of last year, that tide had been reversed; that the increase in families in need for December 1932 over December of the previous year, was but 46 percent increase and the increase in relief supplied was 70 percent. In other words, we were catching up on this disparity, but it has been only due to the entering of Federal relief into that situation that that distressing tide was turned.

I am sorry I have not copies to submit to each of you, but the next thing I would like to submit is a list of some 107 cities of the country, showing the percentage of increases for relief for the first 9 months of last year compared with the first 9 months of the preceding year. These increases or changes run all the way from a decrease of 25 percent in Detroit to an increase of 425 percent in Seattle. Such a decrease in Detroit was due to the fact that arbitrarily Detroit had to establish a rule that no person or family who did not have at least two children was eligible for any relief whatsoever. Anybody not lucky enough to have two children had to find relief as best he could. The shortage in Detroit was chargeable very much to that, and I am sure that although apparently hard-boiled, we feel for them in their extremity. But that is the situation that is before us.

I should like to put that into the record, because I think it is perhaps as illuminating—those very rapid changes in the amount of relief that has been distributed in our cities. The main point that I made yesterday is that local (including State and local) resources were not adequate to meet situations that were changing as rapidly as that of need for relief, that our limitation of tax resources and rather slow machinery for loans by States was not calculated to meet situations were 100, 200, and 300 percent increases in relief were occurring annually. The average for all of those cities was 111 percent, which is the nub of the problem.

The memorandum I have submitted indicated on the first page the loans that have been made by the Reconstruction Finance Corporation for relief purposes from the 27th of last July till the end of March. Now, those loans were all made after extremely careful investigation of needs. The Reconstruction Finance Corporation secured a staff of men entirely competent to discover what the needs were and these loans are the counterpart of the needs that they discovered.

Mr. WILLIAMS. Are all of the States in there?

Mr. BURNS. No. There were eight States that were not included. Do you wish to have those included?

Mr. WILLIAMS. Well, I would like to know who they are?

Mr. BURNS. Vermont, Massachusetts, Connecticut, New Jersey, Delaware, Maryland, Nebraska, and Wyoming. There are, in other words, 40 States here. I understand that both Delaware and Maryland have made applications that are pending before the Reconstruction Finance Corporation.

I did indicate yesterday, and I want to repeat, that I think the demands of the law made it difficult to get as full cooperation from the States as the pending bill would secure, but I would not want to be understood as indicating in any sense that this money was not needed for relief, or that this amount of money was not needed for relief. The Reconstruction Finance Corporation has been supplying, during the last winter, about 75 or 80 percent of all public relief in these States.

Now, I should like to call your attention to the next paper which indicates the per capita relief and the great diversity in rates of per capita relief for the first half of 1932, which are the last completed figures available. You see these great diversities. Boston very proudly happens to lead, but that is leading in the amount of relief. I indicated yesterday how that had been at considerable sacrifice to the ordinary charities of Boston; but nevertheless, she has kept herself to where we can say she is providing for her own in the matter of material necessitates better than most cities in the country. These great diversities which Senator Costigan referred to are reflected. You see some of these per capitas running down as low as 27 cents as compared to Boston's $8.93 per capita. That does reflect the resources of the cities.

Mr. WILLIAMS. That is the entire relief, both public and private, throughout the United States?

Mr. BURNS. Yes, sir. There was no R.F.C. relief at this time. This is the first six months before there was any R.F.C. aid.

These first amounts have been used very largely to overcome many of these disparities. I think you will find that there could be a correlation between the amount granted in proportion to population and the good many of disparities this shows. The figures have not been prepared showing the relation since we started to borrow from the corporation.

Mr. WILLIAMS. You say the complete figures have not been prepared?

Mr. BURNS. No; but it is hard work preparing them. They are being prepared in the Childrens' Bureau now. I was up there yesterday afternoon. It was very illuminating to show the disparity that had taken place with the distributions from the R.F.C., and it would materially change the picture. But these figures are what brought about Federal relief and the reason why it is necessary to continue Federal relief if we do not drop back, and some of these woefully inadequate amounts that were being provided.

Mr. KOPPLEMANN. And the reason for the small amount that was given in parts of the country was because they did not have the money to give?

Mr. BURNS. Well, I am not here to say that all communities were equally diligent, but I do say that in the main those disparities reflect the difference in resources.

Mr. WOLCOTT. Is not the amount per capita also determined somewhat by the amount needed in the locality?

Mr. BURNS. Yes; and the amount spent might.

Mr. WOLCOTT. The amount spent might be regulated by the amount needed. For example, Kansas City spent 63 cents per capita. They might not have a welfare department which would compare with Detroit's, which was $3.53 per capita. Would not that affect the amount per capita somewhat?

Mr. BURNS. Since the R.F.C. came into the picture Kansas City has increased very rapidly. They were not meeting the need——

Mr. WADSWORTH. I am sure you would not say that Kansas City could not afford more than 63 cents per capita?

Mr. BURNS. No. I am perfectly frank to say that I think Missouri is one of the States that might have done a good deal more. That is my thesis from the beginning, that there was a need of greatly increased resources. We did not take the best way to supply those resources, but we took a way and it was found there was need for that money. I believe this present bill would call out more local resources.

Mr. WADSWORTH. In Kansas City, Mo., it was $4.98 per capita. The Kansas City you referred to is Kansas City, Kans.

Mr. BURNS. I am sorry of that error.

Mr. WADSWORTH. It may be that in Kansas City, Kans., conditions were different. Kansas City, Kans., is not such an industrial center as Kansas City, Mo., right across the river. They had fewer and smaller per capita payments.

Mr. BURNS. Well, the thing about that is that in Kansas City, Kans., the workmen for the stockyards live over there, and they do not have the resources to meet the situation. Kansas City, Kans., does not have the resources, and the people who work in the stockyards of Kansas City, Mo., are in need very largely, and they live in Kansas City, Kans.

May I call your attention next to the sample bulletin. It is a document of the Children's Bureau which gives graphs of two points. First and on the front page this very rapid increase of public funds and decrease in the giving or supplying of relief from private funds. The red lines are just extending it for January and February of this year, and that has been due to the fact that more private charitable funds than could have been required for the maintenance of the other charities, while the public funds have been drawn on more and more to meet the merely material relief.

Mr. HANCOCK. Do I understand in that connection that as the line lengthens for public funds the private fund line grows shorter?

Mr. BURNS. That has been actually happening, but no doubt the depression caused it, because as you see here there was a time when the private funds were going up and public funds as well.

Mr. HANCOCK. As a general thing as the public funds go up private funds come down?

Mr. BURNS. No; that is not true—was not true in the first 2 years of the depression. That is as private funds became scarcer and scarcer to meet the needs they ordinarily met, which included relief (not entirely but included relief), private funds have been actually decreasing, of course, in our country. The community chests of the country raised 22 percent less this year than they did last year. That means, I presume, that they have no funds to meet the situation.

Mr. HANCOCK. But for the first 2 years you say that as public funds went up private funds went up with them?

Mr. BURNS. Yes; and these graphs show it.

Mr. HANCOCK. Was it a matching entirely?

Mr. BURNS. Oh no, no. Private funds have never met as big portion of relief as public funds. That is, in the period for which we have any conclusive statistics.

Mr. HANCOCK. That would not apply even in the beginning of the depression?

Mr. BURNS. No. In 1929 practically 70 percent of the help in this country was from public funds.

Mr. WILLIAMS. During the time it was furnished from public funds, was that from State and county?

Mr. BURNS. Almost entirely. The relief has been almost a local matter till the depression. There were a few cases where the State had a mother's pension fund that entered into it.

Mr. WILLIAMS. How long have we had a general distribution public fund?

Mr. BURNS. Yes; all the time.

Mr. WILLIAMS. Of appropriated money?

Mr. BURNS. New York City had no public fund, as I stated yesterday. But, generally speaking, public relief has been a public undertaking.

Mr. SISSON. You did not mean to say that it was a provision of law?

Mr. BURNS. No; the law had no such provision. The Weeks law in 1931 permitted the city to enter that field in 1932.

Mr. KOPPLEMANN. Did we not offer hospitalization?

Mr. BURNS. Yes, sir. As I said yesterday, New York had a public welfare department, but it was not in the field that we are discussing here, furnishing material relief to families destitute in their own private homes.

Mr. KOPPLEMANN. How did they get their relief?

Mr. BURNS. From private contributions.

(The following documents were presented by Mr. Burns for the record:)

Reconstruction Finance Corporation relief loans to Mar. 31, 1933

	Total loans		*Total loans*
Alabama	$3, 322, 493	New Mexico	$302, 138
Arizona	1, 250, 666	New York	19, 800, 000
Arkansas	4, 262, 370	North Carolina	5, 074, 000
California	6, 956, 557	North Dakota	458, 868
Colorado	3, 325, 530	Ohio	15, 283, 937
Florida	3, 785, 533	Oklahoma	3, 827, 027
Georgia	1, 096, 921	Oregon	2, 094, 136
Idaho	950, 616	Pennsylvania	29, 929, 875
Illinois	44, 738, 621	Rhode Island	896, 090
Indiana	3, 952, 260	South Carolina	3, 801, 815
Iowa	1, 615, 287	South Dakota	1, 803, 945
Kansas	2, 448, 663	Tennessee	2, 470, 523
Kentucky	5, 172, 859	Texas	5, 513, 089
Louisiana	7, 602, 506	Utah	2, 567, 789
Maine	112, 740	Virginia	3, 391, 794
Michigan	15, 725, 790	Washington	4, 738, 483
Minnesota	2, 155, 592	West Virginia	8, 305, 328
Mississippi	3, 709, 962	Wisconsin	11, 912, 992
Missouri	3, 835, 265	Hawaii	307, 435
Montana	2, 058, 535	Puerto Rico	360, 000
Nevada	206, 567		
New Hampshire	1, 366, 603	Total	242, 491, 200

Per capita relief expenditures in first half of 1932, in leading United States cities, by geographic divisions

	Relief expenditures first half 1932	Population	Amount per capita
New England:			
Boston (city)	$6,977,896	781,188	$8.93
Cambridge (city)	641,778	113,643	5.65
Fall River (city)	655,687	115,274	5.69
New Bedford (city)	571,736	112,597	5.08
Springfield (area)	955,042	171,021	5.58
Worcester (city)	1,168,735	195,311	5.98
Providence (city)	943,315	252,981	3.73
Bridgeport (area)	872,126	183,146	4.76
Hartford (area)	1,102,565	229,759	4.80
New Haven (city)	709,054	162,655	4.36
Middle Atlantic:			
Albany (city)	425,362	127,412	3.34
Buffalo (area)	5,572,358	746,546	7.46
New York (city)	40,856,033	6,930,446	5.90
Rochester (city)	2,569,064	328,132	7.83
Syracuse (city)	1,498,016	209,326	7.16
Yonkers (city)	905,710	134,646	6.73
Erie (city)	405,012	115,967	3.49
Philadelphia (city)	6,903,834	1,950,961	3.54
Pittsburgh (county)	4,138,408	1,374,410	3.01
Reading (county)	647,944	231,717	2.80
Scranton (city)	296,048	143,433	2.06
East North Central:			
Akron (area)	507,683	281,274	1.80
Canton (area)	372,913	114,054	3.27
Cincinnati (county)	1,849.811	589,356	3.14
Cleveland (area)	3,082,092	1,164,784	2.65
Columbus (city)	720,059	290,564	2.48
Dayton (area)	489,518	240,940	2.03
Toledo (city)	710,276	290,718	2.44
Indianapolis (city)	978,660	364,161	2.69
Chicago (city)	15,265,605	3,376,438	4.52
Detroit (area)	5,996,873	1,698,390	3.53
Flint (city)	372,224	156,492	2.38
Grand Rapids (area)	731,078	208,534	3.51
Milwaukee (county)	4,666,786	725,263	6.43
West North Central:			
Duluth (city)	414,583	101,463	4.08
Minneapolis (city)	1,500,557	464,356	3.23
St. Paul (area)	621,115	286,721	2.17
Kansas City, Mo. (city)	1,989,571	399,746	4.98
St. Louis (city)	1,487,808	821,960	1.81
Omaha (city)	237,117	214,006	1.11
Kansas City, Kans. (city)	76,833	121,857	.63
South Atlantic:			
Wilmington (city)	791,086	106,597	7.42
Baltimore (city)	1,861,188	804,874	2.31
Washington (city)	640,454	486,869	1.32
Norfolk (city)	50,466	129,710	.39
Richmond (area)	177,511	239,288	.74
Atlanta (city)	338,524	270,366	1.25
Jacksonville (county)	52,268	155,503	.34
Louisville (city)	366,747	307,745	1.19
Memphis (city)	67,151	253,143	.27
Nashville (city)	65,670	153,866	.43
Birmingham (area)	471,732	362,071	1.30
West South Central:			
New Orleans (area)	348,255	492,757	.71
Tulsa (city)	125,907	141,258	.89
Dallas (city)	293,510	260,475	1.13
El Paso (city)	85,670	102,421	.84
Fort Worth (city)	97,356	163,447	.60
Houston (city)	128,996	292,352	.44
San Antonio (city)	68,653	231,542	.30
Mountain:			
Denver (city)	666,502	287,861	2.32
Seattle (city)	939,493	365,583	2.57
Portland (county)	1,361,299	338,241	4.02
Los Angeles (county)	4,193,179	2,208,492	1.90
Oakland (city)	1,027,928	284,063	3,62
San Diego (county)	487,056	209,659	2.32

December expenditures for relief exceed any monthly total previously reported, and confirm the indication in November reports that the winter of 1932–33 will be one of unprecedented need for relief giving.

Relief agencies in 125 cities of 50,000 or more population spent $4,427,317 more in December than in the preceding month, an increase of 16.5 percent. The expenditures in December 1932 were 39 percent above the amount expended in December 1931. (Table 1.)

As is illustrated in the chart on the preceding page (not printed), public funds have been used to a large extent throughout 1932 for financing the mounting costs of relief. In December 1931 about 67 percent of the total expended by the reporting agencies came from the public treasury; in November and December 1932 about 88 percent.

December changes in expenditures for different types of relief and in the number of families aided are shown for certain States in table 2 and for the reporting cities in tables 3 and 4. General relief continued the rapid rise previously noted. The December figures also indicate the beginning of another upward movement in work relief.

Approximately a million families were aided in December by the agencies in the 125 cities providing this information, as compared with about 900,000 in the preceding month, and 700,000 in December 1931. The monthly average for general relief per family has tended to become noticeably larger. (Table 4.)

Fifty of the one hundred and two cities for which this information was available financed 95 per cent or more of their total relief in December from public funds. In 36 cities public funds met 75 to 95 percent of the total cost. Private funds financed 25 percent or more of the total cost of relief in 16 cities. (Table 5.)

The increase in the number of meals provided in December to the homeless and transients was slightly more rapid as compared with the preceding month than the increase in the number of lodgings. (Table 6.)

The Reconstruction Finance Corporation made funds available during January 1933 for use in meeting emergency relief needs in California, New York, and 24 States previously aided. (Table 7.)

Large increases were made also during January in the cumulative totals showing the distribution of Government-owned wheat and cotton by the American National Red Cross. (Table 8.)

TABLE 1.—*Amount expended for relief from public and from private funds by 962 agencies or divisions of departments in 125 cities and city areas in December 1932, and comparison with November 1932, and December 1931*

AMOUNT EXPENDED

Source of funds	December 1931	November 1932	December 1932	Percent change from— November to December 1932	Percent change from— December 1931, to December 1932
Total	$22,478,611	$26,808,393	$31,235,710	[1] 16.5	[1] 39.0
Public funds	14,978,807	23,726,463	27,326,651	[1] 15.2	[1] 82.4
General and work relief	11,775,857	20,286,438	23,852,266	[1] 17.6	[1] 102.6
Special allowances	3,202,950	3,440,025	3,474,385	[1] 1.0	[1] 8.5
Private funds	7,499,804	3,081,930	3,909,059	[1] 26.8	[2] 47.9

PERCENT DISTRIBUTION

Total	100.0	100.0	100.0		
Public funds	66.6	88.5	87.5		
General and work relief	52.4	75.7	76.4		
Special allowances	14.2	12.8	11.2		
Private funds	33.4	11.5	12.5		

[1] Increase. [2] Decrease.

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TABLE 2.—*Amount expended for different types of relief and number of families aided in four States during November and December 1932*

State reporting and type of relief	Amount expended			Number of families aided		
	November 1932	December 1932	Percent change, increase (+) decrease (−)	November 1932	December 1932	Percent change, decrease (+) decrease (−)
New Jersey:						
General public relief [1]	$1,443,016	$1,788,836	+24.0	73,909	86,998	+17.7
Mothers' aid	199,873	205,761	+2.9	6,626	6,969	+5.2
Old-age relief	121,664	117,523	−3.4	7,470	7,690	+2.9
Aid for the blind	11,714	11,753	+0.3	492	491	−0.2
New York:						
General public relief	3,793,933	4,790,682	+26.3	149,983	172,675	+15.1
Work relief	2,754,385	3,603,177	+30.8	79,181	91,719	+15.8
Mothers' aid	1,055,985	1,061,997	+0.6	21,596	21,720	+0.6
Old-age relief	1,289,492	1,289,900	(2)	53,856	54,185	+0.6
Rhode Island: [3]						
General public relief	58,561	67,961	+16.1	4,112	4,777	+16.2
Work relief	193,180	217,917	+12.8	6,938	7,704	+11.0
Wisconsin: [4]						
General public relief	1,411,236	1,602,224	+13.5	64,149	69,806	+8.8

[1] Figures relate to 271 municipalities and cover about 84 percent of the population of the State.
[2] Percentage less than one tenth of 1 percent.
[3] Figures relate to 6 cities and 12 towns and cover about 80 percent of the population of the State.
[4] Figures cover about 57 percent of the total population of the State.

TABLE 3.—*Amount expended for different types of relief by 962 agencies or divisions of departments in 125 cities and city areas in December 1932 and comparison with November 1932 and December 1931*

Type of relief and administrative agency	Agencies	Amount expended			Percent change from—	
		December 1931	November 1932	December 1932	November to December 1932, increase (+) decrease (−)	December 1931 to December 1932, increase (+) decrease (−)
Total	962	$22,478,611	$26,808,393	$31,235,710	+16.5	+39.0
General relief	665	13,392,855	19,175,585	22,818,804	+19.0	+70.4
General public relief:						
County departments	43	2,242,374	5,657,315	6,596,389	+16.6	+194.2
City departments	80	4,799,243	8,242,618	9,912,882	+20.3	+106.6
Veterans' relief:						
Public departments	41	1,221,540	1,032,892	1,205,555	+16.7	−1.3
Private agencies	77	73,364	62,622	65,945	+5.3	−10.1
Emergency-relief committees	36	742,583	177,740	231,360	+30.2	−68.8
Nonsectarian family societies	132	2,928,938	2,971,277	3,569,211	+20.1	+21.9
Jewish agencies	62	344,794	399,036	436,505	+9.4	+26.6
Catholic agencies	49	627,302	374,633	442,853	+18.2	−29.4
Salvation Army	81	291,793	156,515	250,726	+60.2	−14.1
Other	64	120,924	100,937	107,378	+6.4	−11.2
Special allowances from public funds	179	3,202,950	3,440,025	3,474,385	+1.0	+8.5
Mothers' aid	95	1,975,465	1,998,613	2,022,028	+1.2	+2.4
Old-age relief	36	1,104,283	1,311,646	1,321,734	+.8	+19.7
Aid for the blind	48	123,202	129,766	130,623	+.7	+6.0
Work relief	118	5,882,806	4,192,783	4,942,521	+17.9	−16.0
Public departments	70	3,291,393	3,345,161	3,722,417	+11.3	+13.1
Private agencies	48	2,591,413	847,622	1,220,104	+43.9	−52.9

TABLE 4.—*Families aided through direct relief by 739 agencies or divisions of departments in 125 cities and city areas in December 1932 and comparison with November 1932 and December 1931*

NUMBER OF FAMILIES AIDED

Type of relief and administrative agency	Agencies	December 1931	November 1932	December 1932	Percent change from—	
					November to December 1932, increase (+) decrease (−)	December 1931 to December 1932, increase (+) decrease (−)
Total	739	696,144	892,910	997,853	+11.8	+43.3
General relief	570	612,473	793,755	897,322	+13.0	+46.5
General public relief:						
County departments	29	141,426	252,577	276,777	+9.6	+95.7
City departments	50	143,356	238,531	270,338	+13.3	+88.6
Veterans' relief:						
Public departments	38	36,586	40,048	41,399	+3.4	+13.2
Private agencies	77	6,414	6,928	9,171	+32.4	+43.0
Emergency-relief committees	24	37,778	14,151	12,891	−8.9	−65.9
Nonsectarian family societies	112	142,279	166,562	191,538	+15.0	+34.6
Jewish agencies	61	10,250	12,818	13,806	+7.7	+34.7
Catholic agencies	45	37,454	24,465	27,743	+13.4	−25.9
Salvation Army	77	47,955	26,524	40,719	+53.5	−15.1
Other	57	8,975	11,151	12,940	+16.0	+44.2
Special allowances from public funds	169	83,671	99,155	100,531	+1.4	+20.2
Mothers' aid	92	41,519	45,263	46,096	+1.8	+11.0
Old-age relief	34	37,663	49,116	49,653	+1.1	+31.8
Aid for the blind	43	4,489	4,776	4.782	+0.1	+6.5

AVERAGE MONTHLY RELIEF PER FAMILY

General relief	570	$18.61	$19.92	$21.36		
Special allowances from public funds:						
Mothers' aid	92	46.90	43.41	43.13		
Old-age relief	34	28.56	25.83	25.59		
Aid for the blind	43	21.93	21.47	21.58		

TABLE 5.—*Amount expended for relief by 916 agencies or divisions of departments in 107 cities and city areas [1] in December 1932, comparison with November 1932 and December 1931, and percent from public and from private funds in December 1932*

[Cities and city areas included in this table are those for which reports from public and private agencies are believed to be sufficiently complete for use in determining local trends. Figures are preliminary and subject to revision]

State and city or city area	Agencies [2]	Amount expended			Percent change from—		Percent in December 1932, from—			
							Public funds			Private funds
		December 1931	November 1932	December 1932	November 1932, to December 1932	December 1931, to December 1932	Total	General and work relief	Special allowances	
Alabama:										
Birmingham area	4	$68,278	$128,450	$182,937	+42.4	+167.9	73	73	----------	27
Mobile	4	2,866	2,787	4,055	+45.5	+41.5	----------	----------	----------	100
California:										
Berkeley area	7	39,325	39,516	48,980	+23.9	+24.6	92	72	21	8
Los Angeles area	9	496,490	756,919	807,669	+6.7	+62.7	95	71	24	5
Oakland	8	137,044	169,825	194,625	+14.6	+42.0	97	67	30	3
Sacramento area	8	44,546	30,056	33,699	+12.1	−24.4	95	28	67	5
San Diego area	9	48,724	79,896	66,162	−17.2	+35.8	97	66	30	3
Colorado: Denver	11	131,078	71,272	105,670	+48.3	−19.4	75	63	12	25
Connecticut:										
Bridgeport	10	75,990	94,165	105,533	+12.1	+38.9	89	85	4	11
Hartford area	10	180,095	141,786	147,549	+4.1	−18.1	72	66	6	28
New Britain	9	69,195	59,867	63,370	+5.9	−8.4	95	89	6	5
New Haven area	11	101,298	92,874	179,610	+93.4	+77.3	85	79	6	15
Delaware: Wilmington	11	98,329	78,401	103,674	+32.2	+5.4	96	88	8	4
District of Columbia: Washington area	13	74,110	128,458	194,809	+51.7	+162.9	48	42	6	52
Florida: Jacksonville area	7	9,145	43,849	54,637	+24.6	+497.5	99	99	----------	1
Georgia: Atlanta area	8	49,074	67,069	98,622	+47.0	+101.0	93	93	----------	7
Illinois:										
Chicago	19	2,623,195	4,361,641	4,984,450	+14.3	+90.0	91	88	3	9
Cicero	4	14,569	40,145	51,533	+28.4	+253.7	100	98	2	----------
Evanston	4	16,326	27,862	31,282	+12.3	+91.6	88	82	5	12
Oak Park	4	3,092	5,849	6,820	+16.6	+120.6	87	81	7	13
Springfield area	7	13,922	21,509	23,968	+11.4	+72.2	86	58	28	14
Indiana:										
Evansville area	4	40,091	66,710	81,198	+21.7	+102.5	100	98	2	(3)
Fort Wayne area	10	78,127	72,990	77,945	+6.8	−.2	90	89	1	10
Indianapolis	6	120,974	125,972	155,118	+23.1	+28.2	90	89	1	10
South Bend	6	57,478	74,140	78,568	+6.0	+36.7	95	91	4	5
Terre Haute	6	12,349	14,650	23,496	+60.4	+90.3	88	85	3	12
Iowa:										
Des Moines	11	35,867	56,459	70,937	+25.6	+97.8	95	83	11	5
Sioux City	7	33,171	33,607	48,200	+43.4	+45.3	98	89	9	2
Kansas:										
Kansas City	4	11,050	14,563	21,305	+46.3	+92.8	15	15	----------	85
Topeka	9	21,948	20,321	28,181	+38.7	+28.4	87	81	6	13
Kentucky: Louisville	10	60,028	82,513	114,962	+39.3	+91.5	93	87	6	7
Louisiana:										
New Orleans area	12	62,954	132,005	159,391	+20.7	+153.2	96	96	(3)	4
Shreveport	6	4,199	2,311	3,266	+41.3	−22.2	19	----------	19	81
Maine: Portland	6	20,868	27,101	59,922	+121.1	+187.1	96	93	2	4
Maryland: Baltimore	7	127,092	366,126	428,378	+17.0	+237.1	100	98	2	(3)
Massachusetts:										
Boston	14	1,004,464	1,066,064	1,249,524	+17.2	+24.4	96	81	15	4
Brockton	9	47,408	45,565	47,847	+5.0	+0.9	90	79	11	10
Fall River	7	104,716	85,626	94,636	+10.5	−9.6	99	86	13	1
Lawrence	8	43,352	30,967	29,090	−6.1	−32.9	89	57	32	11
Lowell	7	42,402	66,601	70,999	+6.6	+67.4	(4)	(4)	(4)	(4)
Lynn	10	75,281	87,293	114,020	+30.6	+51.5	95	76	19	5
Malden	9	34,190	38,570	44,771	+16.1	+30.9	100	91	8	(3)
New Bedford	7	82,152	94,896	108,867	+14.7	+32.5	96	85	11	4
Newton area	9	21,088	27,955	30,901	+10.5	+46.5	79	59	20	21
Worcester	9	151,922	218,644	256,583	+17.4	+68.9	95	84	11	5
Michigan:										
Detroit area	18	1,045,790	1,178,077	1,313,985	+11.5	+25.6	99	90	9	1
Flint	2	39,319	136,384	140,722	+3.2	+257.9	100	100	----------	----------
Grand Rapids area	7	125,964	144,772	164,513	+13.6	+30.6	99	93	5	1
Pontiac area	5	112,226	105,507	150,309	+42.5	+33.9	99	91	8	1
Saginaw	4	51,528	45,489	48,890	+7.5	−5.1	94	73	21	6
Minnesota:										
Duluth	7	50,563	83,277	62,307	−25.2	+23.2	96	67	29	4
Minneapolis area	11	228,055	277,395	330,220	+19.0	+44.8	85	72	13	15
St. Paul area	12	72,729	182,026	205,721	+13.0	+182.9	77	65	12	23
Missouri:										
Kansas City	11	397,966	88,143	125,088	+41.9	−68.6	9	----------	9	91
St. Louis area	12	218,863	287,901	410,392	+42.5	+87.5	(5)	(5)	(5)	(5)
Nebraska: Omaha area	12	45,701	36,288	47,241	+30.2	+3.4	(4)	(4)	(4)	(4)
New Jersey:										
Jersey City	4	80,434	139,873	160,775	+14.9	+99.9	99	87	12	1
Newark	12	292,539	318,736	308,693	−3.2	+5.5	92	75	17	8
The Oranges	13	61,753	66,396	79,539	+19.8	+28.8	48	36	12	52
New York:										
Albany	13	61,966	63,438	95,953	+51.3	+54.8	95	80	15	5
Buffalo area	20	725,890	969,910	1,108,697	+14.3	+52.7	93	86	7	7
New Rochelle	8	46,027	47,807	69,706	+45.8	+51.4	99	94	5	1
New York	31	6,416,319	6,431,984	7,713,273	+19.9	+20.2	78	56	22	22
Niagara Falls	10	63,449	116,861	133,144	+13.9	+109.8	98	92	5	2
Rochester	11	411,708	404,699	511,949	+26.5	+24.3	98	84	14	2
Syracuse	13	312,589	231,227	310,299	+34.2	−.7	98	90	8	2
Utica area	12	92,318	91,001	110,980	+22.0	+20.2	95	69	26	5
Yonkers	9	73,120	162,238	189,297	+16.7	+158.9	94	85	9	6

See footnotes at end of table.

TABLE 5.—*Amount expended for relief by 916 agencies or divisions of departments in 107 cities and city areas* [1] *in December 1932, comparison with November 1932, and December 1931, and percent from public and from private funds in December 1932*—Continued

State and city or city area	Agencies [2]	Amount expended			Percent change from—		Percent in December 1932, from—			
		December 1931	November 1932	December 1932	November 1932, to December 1932	December 1931, to December 1932	Public funds			Private funds
							Total	General and work relief	Special allowances	
North Carolina:										
Asheville	3	$4,756	$12,818	$17,555	+37.0	+269.1	1	----------	1	99
Charlotte	5	9,508	15,222	27,083	+77.9	+183.1	63	63	1	37
Greensboro	3	2,304	7,456	15,470	+107.5	+571.4	97	96	1	3
Winston-Salem	2	5,294	8,949	23,609	+163.8	+346.0	98	98	(3)	2
Ohio:										
Akron area	11	65,448	105,548	135,711	+28.6	+107.4	93	89	4	7
Canton area	6	61,884	60,736	69,659	+14.7	+12.6	(4)	(4)	(4)	(4)
Cincinnati area	16	238,133	363,508	409,368	+12.6	+71.9	(5)	(5)	(5)	(5)
Cleveland area	8	540,496	657,802	713,292	+8.4	+32.0	92	85	7	8
Columbus area	13	77,401	191,101	229,603	+20.1	+196.6	95	86	9	5
Dayton area	11	74,857	120,775	129,472	+7.2	+73.0	94	86	8	6
Toledo	6	181,202	189,605	174,721	−7.9	−3.6	98	91	8	2
Youngstown	8	46,398	110,268	144,265	+30.8	+210.9	99	95	4	1
Oregon: Portland	7	241,004	304,736	324,379	+6.4	+34.6	100	97	2	(3)
Pennsylvania:										
Allentown area	3	29,492	61,766	67,704	+9.6	+129.6	97	90	7	3
Altoona	6	31,937	40,185	45,247	+12.6	+41.7	29	24	5	71
Bethlehem area	5	20,637	31,133	38,291	+23.0	+85.5	80	72	8	20
Chester area	11	19,942	88,208	105,478	+19.6	+428.9	98	95	3	2
Erie area	7	56,967	92,961	81,274	−12.6	+42.7	98	91	8	2
Lancaster	7	13,377	20,440	26,061	+27.5	+94.8	78	71	7	22
Philadelphia	10	1,052,071	840,216	1,158,943	+37.9	+10.2	93	88	5	7
Pittsburgh area	12	568,827	893,200	978,600	+9.6	+72.0	96	91	5	4
Reading	12	21,132	145,451	150,794	+3.7	+613.6	98	93	6	2
Scranton	5	38,539	70,670	71,992	+1.9	+86.8	81	71	10	19
Wilkes-Barre area	4	53,499	120,495	134,237	+11.4	+150.9	95	86	9	5
Rhode Island: Providence	11	112,629	167,009	198,299	+18.7	+76.1	91	87	4	9
South Carolina: Charleston	5	1,120	2,558	2,374	−7.2	+112.0	42	42	----------	58
Tennessee:										
Knoxville area	5	11,583	21,556	32,404	+50.3	+179.8	99	99	----------	1
Memphis area	7	18,106	20,336	80,599	+296.3	+345.2	49	45	4	51
Texas:										
Dallas area	7	29,390	27,411	35,953	+31.2	+22.3	83	77	6	17
El Paso area	4	(5)	83,328	54,083	−35.1	(5)	69	69	----------	31
Fort Worth area	4	12,635	8,642	15,816	+83.0	+25.2	94	94	----------	6
San Antonio area	6	11,063	3,245	2,718	−16.2	−75.4	----------	----------	----------	100
Virginia: Roanoke	4	4,209	4,886	7,809	+59.8	+85.5	46	46	----------	54
Washington:										
Seattle area	11	165,776	313,311	321,341	+2.6	+93.8	97	93	3	3
Tacoma area	7	27,690	81,339	131,000	+61.1	+373.1	98	92	7	2
Wisconsin:										
Kenosha area	8	84,668	110,627	102,008	−7.8	+20.5	99	90	10	1
Madison area	6	30,171	53,348	63,852	+19.7	+111.6	97	82	15	3
Milwaukee area	10	586,951	882,240	990,697	+12.3	+68.8	94	86	8	6
Racine area	9	90,117	96,087	112,056	+16.6	+24.3	99	91	8	1
Median	----------	----------	----------	----------	+18.7	+63.8	----------	----------	----------	----------

[1] Reports from 1 or more agencies in the following cities are included in the summaries in table 3 but the expenditures reported to date are not sufficiently complete for use in determining local trends: Miami, Wichita, Cambridge, Somerville, Springfield (Mass.), Camden, Paterson, Trenton, Springfield (Ohio), Oklahoma City, Harrisburg, Sharon, Nashville, Houston, Salt Lake City, Norfolk, Richmond, and Huntington.
[2] Reports of agencies or divisions of departments that functioned in any one of the 3 months compared.
[3] Less than 1 percent.
[4] Not shown because reports of 1 or more important agencies have not been received.
[5] Figures not available.

TABLE 6.—*Meals and lodgings provided by 179 agencies in 62 cities and city areas, December 1932, and comparison with November 1932 and December 1931*

Month and year	Meals	Lodgings
	Number provided	
December 1931	1,432,081	451,928
November 1932	1,267,140	467,247
December 1932	1,540,769	552,980
	Daily average	
December 1931	46,196	14,578
November 1932	42,238	15,575
December 1932	49,702	17,838
	Percent change in daily average	
November 1932 to December 1932	+17.7	+14.5
December 1931 to December 1932	+7.6	+22.4

TABLE 7.—*Amount made available through January 31, 1933, by the Reconstruction Finance Corporation under title I of the Emergency Relief and Construction Act of 1932 for use in 38 States and 2 Territories in meeting current emergency relief needs*

State or Territory	Amount made available			
	Total	July 1932 to September 1932	October 1932 to December 1932	January 1933
Total	$162,877,889	$35,455,171	$77,159,502	$50,263,216
Alabama	1,656,868	225,000	303,704	1,128,164
Arizona	847,700	250,000	256,200	341,500
Arkansas	2,869,519	502,500	2,241,208	125,811
California	2,255,455			2,255,455
Colorado	2,201,048	847,600	1,353,448	
Florida	2,668,153	500,000	2,168,153	
Georgia	681,459	345,093	140,991	195,375
Idaho	649,095	300,000	331,095	18,000
Illinois	38,493,478	14,000,000	18,493,228	6,000,250
Indiana	1,775,404		1,775,404	
Iowa	87,800		87,800	
Kansas	1,805,995		1,805,995	
Kentucky	2,563,151	672,550	1,890,601	
Louisiana	4,751,333	2,104,928	2,646,405	
Michigan	12,074,474	2,116,000	4,363,283	5,595,191
Minnesota	1,351,843		1,351,843	
Mississippi	2,739,425		892,300	1,847,125
Missouri	2,435,531	853,953	304,165	1,277,413
Montana	1,150,946	300,000	737,438	113,508
Nevada	124,867	47,200	72,067	5,600
New Hampshire	944,690		667,420	277,270
New Mexico	172,000	90,800		81,200
New York	6,100,000			6,100,000
North Carolina	3,036,000		1,386,000	1,650,000
North Dakota	157,680	50,000	50,680	57,000
Ohio	10,548,005	4,417,585	3,831,168	2,299,252
Oklahoma	2,178,308		2,178,308	
Oregon	980,738	86,160	152,378	742,200
Pennsylvania	26,705,446	2,500,000	10,335,538	13,869,908
South Carolina	1,517,800		135,200	1,382,600
South Dakota	1,393,995	150,000	1,243,995	
Tennessee	1,019,634		789,036	230,598
Texas	4,135,134		1,569,301	2,565,833
Utah	1,998,589	390,000	1,608,589	
Virginia	2,464,860	283,367	1,207,520	973,973
Washington	2,621,700	675,000	953,700	993,000
West Virginia	4,747,561	440,000	4,170,571	136,990
Wisconsin	8,304,770	3,000,000	5,304,770	
Hawaii	307,435	307,435		
Puerto Rico	360,000		360,000	

TABLE 8.—*Change during January 1933 in cumulative totals showing distribution by the American National Red Cross of Government-owned wheat and cotton made available by act of Congress for the relief of distress*

Product and extent of its distribution	Cumulative total on—	
	Dec. 31, 1932	Jan. 28, 1933
Flour:		
Chapters and other Red Cross units applying	3,647	3,670
Families in whose behalf flour was requested	4,750,400	5,015,435
Barrels of flour approved for distribution	7,553,373	8,290,706
Bushels of wheat committed for all purposes	64,904,102	70,094,000
		Jan. 27, 1933
Cloth and clothing:		
Chapters and other Red Cross units applying	3,589	3,675
Families in whose behalf clothing was requested	4,424,998	4,649,904
Approved for distribution:		
Yards of cloth	56,371,790	57,465,424
Dozens of garments	1,375,036	1,559,550
Dozens of sweaters	80,438	328,952

TABLE 3.—*Amount expended for public and private relief in certain cities of 50,000 or more population during the first 9 months of 1931 and 1932*

State and city or city area	Number of agencies	Amount expended		
		January–September 1931	January–September 1932	Per cent increase (+) or decrease (−)
Alabama:				
Birmingham area	4	$316,575	$654,831	+106.8
Mobile	4	6,985	44,626	+538.9
California:				
Berkeley area	7	179,202	333,888	+86.3
Los Angeles area	10	7,722,645	5,527,372	−28.4
Oakland	8	1,050,497	1,448,186	+37.9
Sacramento area	9	252,646	309,483	+22.5
San Diego area	10	356,866	709,015	+98.7
Colorado: Denver area	12	248,397	850,228	+242.3
Connecticut:				
Hartford area	11	844,821	1,521,785	+80.1
New Britain	9	259,798	748,260	+188.0
New Haven area	12	731,508	1,077,179	+47.3
Delaware: Wilmington	13	319,306	958,974	+200.3
District of Columbia: Washington	14	347,219	931,584	+268.3
Florida: Jacksonville area	7	48,480	96,384	+98.8
Georgia: Atlanta area	7	182,226	427,996	+134.9
Illinois:				
Chicago	18	7,924,743	25,715,565	+224.5
Cicero	6	56,627	210,974	+272.6
Evanston	5	99,249	201,176	+102.7
Oak Park	4	11,980	31,903	+166.3
Springfield area	7	101,776	147,835	+45.3
Indiana:				
Evansville area	5	224,210	422,113	+88.3
Fort Wayne area	11	236,396	551,369	+133.2
Indianapolis	10	703,703	1,126,433	+60.1
South Bend	6	261,296	399,091	+52.7
Terre Haute	7	75,089	127,672	+70.0
Iowa: Sioux City	11	70,892	231,230	+226.2
Kansas:				
Kansas City	4	63,914	100,365	+57.0
Topeka	9	100,642	195,534	+94.3
Wichita	9	98,342	236,848	+140.8
Kentucky: Louisville	10	361,405	478,422	+32.4
Louisiana:				
New Orleans area	14	301,239	558,670	+85.5
Shreveport	9	45,820	41,502	−9.4
Maine: Portland	6	86,008	208,679	+142.6
Maryland: Baltimore	8	738,265	2,787,118	+277.5
Massachusetts:				
Boston	14	5,740,583	10,278,745	+79.1
Brockton	11	251,648	423,281	+68.2
Fall River	8	497,880	975,925	+96.0
Lawrence	8	220,857	524,035	+137.3
Lowell [1]	7	489,026	612,304	+25.2
Lynn	10	524,857	846,234	+61.2

[1] Reports from one or more important agencies not included.

TABLE 3.—*Amount expended for public and private relief in certain cities of 50,000 or more population during the first 9 months of 1931 and 1932*—Continued

State and city or city area	Number of agencies	Amount expended		
		January-September 1931	January-September 1932	Per cent increase (+) or decrease (−)
Massachusetts—Continued.				
Malden	11	$188,034	$376,109	+100.0
New Bedford	8	583,321	899,376	+54.2
Springfield area	14	806,797	1,514,650	+87.7
Worcester	9	1,040,322	1,781,971	+71.3
Michigan:				
Detroit area	18	10,922,172	7,978,913	−26.9
Flint	5	370,912	611,114	+64.8
Grand Rapids area	8	625,089	1,036,796	+65.9
Pontiac area	7	396,295	716,303	+80.7
Saginaw	4	385,638	371,342	−3.7
Minnesota:				
Duluth	7	207,704	536,392	+158.2
Minneapolis area	11	793,407	2,122,040	+167.5
St. Paul area	12	400,586	933,446	+133.0
Missouri:				
Kansas City	12	763,508	2,385,461	+212.4
St. Louis area	13	965,604	2,017,248	+108.9
Nebraska: Omaha area [1]	11	185,377	295,342	+59.3
New Jersey:				
Newark	11	1,516,920	3,016,776	+98.9
The Oranges	13	260,158	532,652	+104.7
New York:				
Albany	13	357,046	594,905	+66.6
Buffalo area	21	3,629,340	7,962,657	+119.4
New Rochelle	8	45,310	298,129	+558.0
New York	26	30,599,397	58,402,804	+90.9
Niagara Falls	10	367,995	947,689	+157.5
Rochester	11	2,897,993	3,593,350	+24.0
Syracuse	13	842,134	2,097,472	+149.1
Utica area	14	365,431	973,134	+166.3
Yonkers	10	445,038	1,373,715	+208.7
North Carolina:				
Asheville	4	24,889	74,708	+200.2
Winston-Salem	2	69,282	44,466	−35.8
Ohio:				
Akron area	11	369,995	707,539	+91.2
Canton area	6	303,904	514,975	+69.5
Cincinnati area	16	1,340,081	2,873,114	+114.4
Cleveland area	9	2,944,272	4,703,852	+59.8
Columbus area	14	527,682	1,202,357	+127.9
Dayton area	11	491,897	745,151	+51.5
Toledo	6	986,168	994,292	+0.8
Oregon: Portland	8	1,015,694	2,078,090	+104.6
Pennsylvania:				
Allentown area	3	214,211	378,850	+76.9
Altoona	6	89,425	332,527	+271.9
Bethlehem area	5	241,663	175,102	−27.5
Chester area	11	126,213	442,574	+250.7
Erie area	7	260,926	612,589	+134.8
Lancaster	7	87,359	140,309	+60.6
Philadelphia	14	5,606,647	7,507,209	+33.9
Pittsburgh area	11	2,336,599	5,883,974	+151.8
Reading	12	325,669	986,522	+202.9
Scranton	5	240,155	466,855	+94.4
Wilkes-Barre area	5	363,422	943,902	+159.7
Rhode Island: Providence	12	751,032	1,456,158	+93.9
South Carolina: Charleston	5	11,769	18,892	+60.5
Tennessee:				
Knoxville area	5	62,413	142,496	+128.3
Memphis area	7	230,379	101,429	−56.0
Virginia:				
Norfolk area	11	40,313	56,928	+41.2
Roanoke	4	25,608	39,960	+56.0
Washington:				
Seattle area [1]	10	340,459	1,786,761	+424.8
Tacoma area	7	144,467	393,037	+172.1
Wisconsin:				
Kenosha area	8	276,181	580,987	+110.4
Madison area	6	138,791	337,933	+143.5
Milwaukee area	10	2,866,910	6,872,481	+139.7
Racine area	8	454,934	728,148	+60.1

[1] Reports from one or more important agencies not included.

Thereupon, at 12 o'clock noon, the committee adjourned until Friday, April 14, 1933, at 10:30 a.m.

UNEMPLOYMENT RELIEF

FRIDAY, APRIL 14, 1933

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The Committee met at 10. 30 a.m., Hon. Henry B. Steagall (chairman) presiding.

The CHAIRMAN. The committee will please be in order. Mr. Burns we should be glad to have you resume your statement.

STATEMENT OF A. T. BURNS—Resumed

Mr. BURNS. Mr. Chairman and gentlemen of the committee; when we recessed yesterday, I was calling attention to this chart that illustrated the differences in the increases in public expenditures and private expenditures for relief.

I think I should say a word to indicate that private philanthropy and private contributors have not been slackers in this emergency, in spite of this growing difference between public funds spent for relief and private funds spent for relief. Private funds still bear a tremendous and increasing burden for hospitals, visiting nurses, children's clinics, child welfare institutions, and so forth; institutions providing for the regrettably increasing leisure of our people.

The Internal Revenue Bureau reports that the taxable incomes of the country have shrunk, between the years 1928 and 1931, 52 percent Contributions, at least to the community chests of the country in that 3-year period, increased 14 percent.

Private contributions did not show the effects of this depression until a year ago this spring when, for the first time, they began to decrease. In other words, the effect of the depression on giving in this country lagged 3 years behind the depression itself.

The last year for which we have complete income-tax figures, or taxable income figures, was 1931. Undoubtedly that 52 percent decrease for 1931 will go up to at least 60 percent from 1928, when last year's figures are completed. Yet, in the face of that, private-giving figures show only a 6 percent decrease as contrasted with 1928, only one tenth as much of the decrease as the taxable incomes of the country undoubtedly will show when the 1932 figures are in.

I think that that ought to be understood, so that there will be no thought that private giving has just been a slacker and has dodged its responsibility. It has been carrying other necessities of our population than just the physical needs that are cared for out of this relief fund.

I should like to go on to the second page of this same circular of the Children's Bureau that shows this tremendous increase in total relief

needs that I referred to on Wednesday, I believe. That has mounted to 1,300 percent in the first 2 months of this year over the corresponding months in 1929. And it is that tremendous increase that makes the problem.

Now, if we turn to the fourth page of that same circular, at the bottom, I want to show that this increase has not been caused by extravagant expenditures of relief funds.

At the very bottom of page 4, in these dry statistical terms, we see for December 1931, November 1932, and December 1932 what the average amount of relief given to the 1,000,000 families on which this is a report has been.

In 1931, which was the period I spoke of Wednesday, when the increase in families was going on at a very much greater rate than the increase in the amount of relief available, the average monthly relief was $18.16. Try and live on it and you will realize what brought about, as I believe, primarily the injection of our Federal resources into this relief problem.

The coming in of Federal relief, however, at the rate of about $50,000,000 a month, which is what the Reconstruction Finance Corporation has been spending, has not made possible any great extravagance.

You see, in November of 1932 we were only $1.30 better off per family, or in November 1932 the rate of relief was $19.92, and in December of 1932, $21.36, and it is being maintained at practically that level. The latest figures which are now available for February of 1933 show $21.31 average amount of relief per family. That is decidedly better than a year ago when it was only $17.47. That is, it dropped off over a dollar in 3 months, going from $18.61 in December to $17.47 in February. And we are practically $4 better off. That is what Federal relief has accomplished.

Mr. Chairman, the spread of that very rapid increase which is due, as you see, not to a doubling of the amount that families got but that families in need multiplied so rapidly that even when the relief was increased, at the rate of 100 percent every year over the preceding year, it has not increased very much the amount per family.

I think that perhaps something I read into the record and that you already have might be interesting, because it does show the very great spread of this relief among the communities of the country. These figures show a comparison between the first 9 months of 1931 and the first 9 months of 1932 and it is these figures to which I referred, Detroit being quite an exception in dropping 25 percent, because of their very drastic rule of people not being eligible unless they had at least two children. The average of these figures is the 101 percent to which I keep referring. At almost any period you take you will find a doubling as compared with the preceding year.

I want to make just one more point, Mr. Chairman. It is these tremendous increases and very rapid increases set over against our rather cumbersome taxation machinery that makes the problem for the States and communities.

I would like to take as an illustration today, not my own present State, but the State where I grew up, Illinois, which has received the largest amount from the Reconstruction Finance Corporation; in round figures $45,000,000, which was the limit of the original legislation up till the end of March.

It would be wrong to think that Illinois had just laid down. Illinois, as a State, provided by special legislation some 56 millions of dollars itself of special relief funds; that is, State funds, in addition to whatever the communities themselves may have contributed. But Illinois started a year ago with a $20,000,000 appropriation. It took this form. They have the same difficulties that every State has in balancing their current budget. So they said, "We will make a 20 million bond issue to be voted on in November, but we will issue tax warrants by special legislation against the gasoline tax of the State, so that we can realize money on them immediately." That was last November.

They had to sell those tax warrants to the bankers of Illinois and they had the greatest difficulty realizing money on them. At the end of June they had sold about $17,000,000, and there were $3,000,000 that they had been unable to sell.

The bankers of Chicago, figuratively at least, took those with pistols held to their heads. Now, I say figuratively, because Congress did the same thing a week ago, when they removed the 15 percent limitation in this Reconstruction Finance Corporation Act. It was because of the Chicago situation, and immediately upon your doing it, the Reconstruction Finance Corporation began appropriating at the rate of $7,000,000 a month, which is what they have been giving to Illinois.

General Dawes and Philip Clark, the president of General Dawes' bank, actually had to tell the bankers of Chicago last June that their own lives were in danger unless they took these tax warrants in anticipation of this $20,000,000 bond issue which the voters would vote in November.

But it is that kind of difficulty that moved Chicago to come down here a year ago and parade so extensively, as you will remember, with their late mayor and Mr. Sargent, president of the Northwestern Railroad. Chicago had reached its own limits and more, in providing relief. You may say it was their own fault, but whatever may be the reason for the financial difficulties of Chicago, I think we are all well aware that with school teachers sleeping in the parks and taking turns in standing guard over each other, because their salaries were so far in arrears, as these gentlemen told this committee a year ago, it is quite surprising to know that in addition to the State action, Cook County, the county in which Chicago is situated, issued at the beginning of this year $17,000,000 worth of relief bonds for which the State had given them special authorization. And they were sold by the Reconstruction Finance Corporation taking them up, as I understand.

It is that kind of difficulty, the local tax situation, that can be duplicated in effect, if not identically, throughout the country, and in the face of these tremendous and rapid increases that I have referred to, a situation which is duplicated generally throughout the country, that it seems to me makes it inevitable that the Federal Government with its much more elastic tax possibilities must come to the rescue.

I agree that it would be much cheaper in the long run for New York to meet its own total needs itself. But there are very few people, especially taxpayers, who take that long-run view of things when it comes to taxation.

You take our own situation. We have appropriated and spent about $55,000,000 of State funds for relief already. Last Saturday night our legislature authorized a $6,000,000 bond issue to be voted on next November. But there was not any possibility of the State providing out of current revenues for additional relief expenditures.

The CHAIRMAN. Why did they defer the vote on the bond issue until November?

Mr. BURNS. Because that is the regular election time, I presume, Mr. Chairman. There is no special election.

The CHAIRMAN. No constitutional provision that necessitated that delay?

Mr. WADSWORTH. I think that is to be passed upon in the regular election.

Mr. BURNS. I know it is.

Mr. WADSWORTH. That is provided for under the State constitution.

Mr. BURNS. Yes; that it cannot be done except at a regular election. That is just typical of the kind of obstacles there are to quick action by our States.

But the State, at the same time, you see, was adding a 1 percent additional gross income tax, was lowering the exemption on income tax payers from $4,000 to $2,500, was adding a 1 cent gasoline tax, was adding a 1 percent sales tax, just for the purpose of meeting our current budget.

All those things were taking place last week in New York. In the face of that, of course, we just paid a double Federal income tax, or have begun to pay it.

I say, it would have been cheaper if New York could have just put the tax on, in the face of all those other taxes—you know what taxpayers are like—but that is the fundamental difficulty. The problem is how States in the face of what is going on with Federal taxes as well as local and State taxes can expend their revenue rapidly and adequately enough to meet this kind of a situation.

I think the events and the experience of the States show that even when States like New York and Illinois—New York now having under way at least $115,000,000 of relief, including this $60,000,000 that I have mentioned, and Illinois $56,000,000—are unable to care for their situations, it shows how inevitable this becomes.

Illinois put on a sales tax in addition to their other actions last week that will yield $3,000,000 a month.

Mr. WADSWORTH. A 3 percent tax?

Mr. BURNS. Yes; 3 percent. And yet, the Reconstruction Finance Corporation is giving them $7,000,000 a month. This 3 percent tax will not yield them but $3,000,000. It is for relief. It is easy perhaps to say that Illinois should have put on a 10 percent sales tax. But you know what difficulty there is in putting on even a 3 percent sales tax.

It is that kind of a practical situation to which Senator Wagner referred on Tuesday of these overlapping tax jurisdictions, and how States take into consideration what the Federal Government is doing and their own constitutional limitations and restrictions in borrowing money that makes it difficult, so that there seems to be no other way through except by a Federal appropriation.

Mr. Chairman, so far as my statement is concerned, that is all.

Mr. KOPPLEMANN. Mr. Burns, I spoke to you yesterday and asked if you would prepare an answer to this question. In the event of the adoption of this bill or a similar bill that would carry $500,000,000 of relief through the Federal agencies, what effect would it have upon the community chest organizations so far as the continuance or discontinuance of their work is concerned; and further what you have in mind about private contributions for relief?

Mr. BURNS. Mr. Kopplemann, I do not think you were in when I began, and while I did not answer your question, I did give some facts to indicate that private giving has not proved a slacker.

Mr. KOPPLEMANN. I heard you say that. Now, what will be the future, in your opinion?

Mr. BURNS. We can judge that somewhat by the past. This is not a new thing to have happen. The State of Ohio last April appropriated or passed legislation providing for some $22,000,000 for relief on the very day that the Cincinnati Community Chest, our largest spring drive, opened its drive for two and a half million dollars.

The Cincinnati people told me—and I think Mr. Hollister will bear me out—that they failed by $100,000 of realizing their two and a half million dollars, largely because of that action. And yet they would by no means have opposed the action.

They had been to Columbus urging it as the only possible way that Cincinnati and the rest of Ohio could get on. It makes it harder to raise money.

Last spring, in New York State—and the chest drives in New York State are largely in the spring—their drive came on just after we had paid our first double income tax. It made it harder to raise money and it will make it harder to raise money when this bill is passed, because you have to explain that this covers only the material relief needs and hospitals and child welfare institutions and many other charities that have developed in our American form of civilization have still to be supported.

But that is part of the job of a community chest, and the leaders of philanthropy in this country must overcome that difficulty. And no matter what the difficulty might be, we are more concerned with having the starving fed than with the difficulties that manifestly and admittedly are created for private giving by this kind of legislation.

We have been facing it, as you see, for at least a year, and we think that with only so far a 6 percent slump as compared with the last full year of prosperity when taxable incomes were greater by at least 60 percent than they are now, we are doing fairly well. But we admit that it makes it very much more difficult.

May I say, as I think most of you will recall, that we conducted a national campaign last fall, in which we tried to point out this very difficulty and the continued obligation of the private citizen to do his share. That campaign was led by Mr. Newton Baker of Cleveland. I am sure that recalls it to your mind.

Even in the midst of the inevitable political difficulties and differences of last fall, both the then President and the current President joined in that effort to point out to citizens their continued obligation to do their utmost to meet these ordinary responsibilities.

I do not know anything that summarizes that situation better than the national broadcast—I would like to read just one paragraph of

it—made by President Roosevelt from Groton, on October 30 last. It is the kind of thing that the leaders of the country helped the private philanthropies to propagate throughout the country, and is the only method of doing the thing as well as private philanthropy has been doing it.

The President said:

As Governor of the State which more than a year ago took the lead in bringing State funds to the aid of local relief and one who has consistently favored Federal relief where other agencies cannot carry the burden, I want to tell you definitely and clearly that it would be nothing short of a calamity to have private social and relief work collapse at this time. The splendid task of private social and charity agencies must not only be kept up to their highest previous standard but must be increased during the months to come. I do not use the weasel words "ought to be." I use the strong word "must." I ask a definite self-denial on the part of those who have more than the actual necessities of life to share an even greater part of their means with those who so greatly need it today.

It is only by dint of the assistance of our national leaders to maintain that point of view that we can do anything. But we have got to do it.

Mr. KOPPLEMANN. Are you and your organization, so far as you are able to say, are of the same mind today, in the event of the passage of this bill, as the President was when he made that statement?

Mr. BURNS. Absolutely. That reflects our point of view.

Mr. BEEDY. Then your position is not what this bill calls for, if you take the President's statement. You believe that we ought to have Federal aid only when other agencies cannot carry the relief burden?

Mr. BURNS. I believe that absolutely.

Mr. BEEDY. Not when they find it difficult to do so, not when they are doing a good deal and might do more, but when they cannot carry the relief burden. That is your position. You have just said it and that is the statement that you have just read from the President.

Mr. BURNS. I have tried to explain that that "cannot" is a relative term in the face of all our tax difficulties and overcoming obstacles, etc. In an absolute sense, I do not agree. Let us take New York, for example. New York could today take care of its relief in any absolute sense, but from a practicable realistic standpoint, in the way that taxpayers look at it and in the way that they react to taxes, when their Federal income taxes are doubled and when their State income taxes are doubled and many other extra taxes are imposed, the only way we will get the money—and that is the only thing that will feed people—is to appeal to the Federal Government.

May I say this other thing about private giving, finishing my answer to Mr. Kopplemann's very pertinent question; that even if it did make private philanthropy suffer to pass such legislation—and it has been more difficult because of this past legislation, both State and National—it would not suffer anywhere nearly as much as if these public funds were not provided. Because what that would mean would be that all the funds from our hospitals and child-welfare institutions and other philanthropies would be drained into this one channel of supplying the absolute necessities of life.

There is no choice in a community when the issue is between starvation and other charitable efforts. Therefore, the other philanthropies are very much better off with the public funds provided than if they were not provided at all.

Mr. BUSBY. You realize that this $500,000,000 fund is proposed to be a direct gift out of the Federal Treasury. It is not a loan and it is not contemplated that it will be repaid into the Federal Treasury, is it?

Mr. BURNS. No. You are perfectly right.

Mr. BUSBY. That is an absolutely new move, is it not, on the part of any organization set-up?

Mr. BURNS. You mean for relief purposes?

Mr. BUSBY. Yes; or any other purpose.

Mr. BURNS. Oh, no, Mr. Bushby. Since 1912——

Mr. BUSBY (interposing). Whose are not governmental functions.

Mr. BURNS. Since 1912 it has been a governmental function. There have been Federal-aid measures ever since 1912, beginning with the Forest Preservation Act at that time.

Mr. BUSBY. This is a new element that has grown into the activities of the Reconstruction Finance Corporation anyway, is it not?

Mr. BURNS. You mean the direct grant?

Mr. BUSBY. The direct gift from the Federal Treasury to the several States.

Mr. BURNS. In theory, yes; in actuality, no.

Mr. BUSBY. Would you have any definite data as to the location of these 3½ million or 4 million families that are destitute in these times; that is, whether they are well scattered throughout the country, or whether they are concentrated in a few places? You are talking about Chicago and New York nearly all of the time.

Mr. BURNS. I do not know any better illustration than this that is right before you, showing the tremenodus increase, which is countrywide. There is very little disparity between the percentage of increase at least, as between one part of the country and another.

Mr. BUSBY. That has gone into the record, has it not?

Mr. BURNS. Yes.

Mr. BUSBY. Now, I have before me a document that was called to our attention about the first day that we convened this Congress. It is a report from the Committee on Economy, of which Mr. McDuffie was chairman, on H.R. 2820. Did you ever hear of that proposal to cut down expenses and balance the Budget, and get the finances of this country on a better basis?

Mr. BURNS. Yes. Of course, I would be pleading ignorance as to one of the paramount issues before the country if I did not know about that.

Mr. BUSBY. You knew that was in response to the President's message?

Mr. BURNS. Absolutely.

Mr. BUSBY: A portion of this report reads as follows:

As of the end of this fiscal year the public debt of the United States Government will have been increased by the amount of approximately $5,000,000,000 during the course of the last two years. The President stated in his message:

"For 3 long years the Federal Government has been on the road toward bankruptcy. For the fiscal year 1931 the deficit was $462,000,000. For the fiscal year 1932 it was $2,472,000,000. For the fiscal year 1933 it will probably exceed $1,200,000,000. For the fiscal year 1934, based on the appropriation bills passed by the last Congress and the estimated revenues, the deficit will probably exceed $1,000,000,000 unless immediate action is taken. Thus we shall have piled up an accumulated deficit of $5,000,000,000."

These deficits are without taking into consideration the expenditures for the sinking fund. They are therefore actual.

This has had a profound effect upon the credit of our Government. As conclusive evidence it is to be noted that whereas several months ago the rate of interest on 90-day Treasury bills was one tenth of 1 percent; it rose on February 23 to 0.55; on March 1 to 0.99; and on March 6 to 4¼ percent. This cannot be ignored or taken lightly.

But this is not all. On March 15 the Treasury is confronted with a huge refunding operation amounting to $694,000,000 of 3¾ percent and 2 percent certificates of indebtedness. On May 2 it must refund an additional $239,000,000 of 2 percent, and on June 15, $374,000,000 of 1½ percent certificates. A total prior to the end of this fiscal year of $1,300,000,000 must be refunded. And in addition approximately $300,000,000 must be borrowed to meet the operating expenses of the Government for the remainder of this fiscal year.

The ability to successfully conduct these large operations totaling almost $2,000,000,000 within the course of the next 3½ months is seriously menaced by the extent to which the United States Government has been in the past living beyond its income and in the absence of drastic and immediate action will continue to do so. The credit of the United States Government is in danger. The first refunding date, March 15, is under our noses. This is the emergency. This is why action must be taken now.

You knew of this move to cut down expenditures out of the Federal Treasury then?

Mr. BURNS. Of course.

Mr. BUSBY. You knew that in response to the passage of this bill which cut off funds from many people who were in dire distress, even as in the cases that you have mentioned, the Government has actually made a move to save $650,000 per annum.

Mr. BURNS. The papers report this morning that it has accumulated up to a billion.

Mr. BUSBY. Now, you propose to come in here, on the other hand, and take out of the Treasury and dispose by giving to the States to do with as they please at least half of that saving, in the name of humanity?

Mr. BURNS. And more than that if actual starvation is the alternative.

Mr. BUSBY. The thing that I am coming to is that you do not recognize any necessity for the cutting down of expenditures by the Federal Government, do you?

Mr. BURNS. Absolutely. I recognize the necessity for it. And one of the strongest arguments for it is that the United States might meet such a need as this.

Mr. BUSBY. I voted for this economy measure. I cannot bring myself into line to vote for a gift to the States. If the States were borrowing the money and it developed later that they could not pay it back, do you not think that it would be more respectable from the standpoint of economy to make these loans to the several States on their own responsibility as States than to have them come here and make an indifferent showing to an organization perhaps with you as the head of it to be set up——

Mr. BURNS. Oh, no, no.

Mr. BUSBY. Well, if not you, then some other gentleman at the head of this organization, with no future accountability or responsibility to the Treasury of the funds that you receive?

Mr. BURNS. Let us make sure about the accountability. There is to be a monthly report.

Mr. BUSBY. I am talking about accountability in the sense of repaying the funds.

Mr. BURNS. We have some experience of the last 8 months to go on.

Mr. BUSBY. I am not talking about that. I am asking if you do not think that it would be more respectable in view of the action that we have already taken to effect economies in expenditures of the Government, if the States would come in and borrow this money, even though they never paid it back?

Mr. BURNS. Whether respectable or not, I am sure it would be more expensive. In the interest of the greatest possible economy I would argue for this method rather than the loan method. We have tried that for 8 months and it is only in the case of half a dozen States that——

Mr. KOPPLEMANN (interposing). What do you mean by more expensive?

Mr. BURNS. I mean that Uncle Sam will be left to do it more exclusively under the loan method which we have been using for 8 months, which is shown by the fact that of the 40 States who have made loans of the R.F.C. only 6 have provided any State funds themselves.

On the basis of our experience with the matching method, which is the method that has been in operation in the Federal Government since the first Forest Preservation Act that the late Senator Weeks fathered, that method has called forth more State help on any particular project than any other method that has been devised.

I am just saying that experience should teach us.

Mr. BEEDY. May I ask what you mean by more expensive, Mr. Burns?

Mr. BUSBY. Mr. Chairman, I would like to get along. Will you gentlemen please note your queries?

Mr. KOPPLEMANN. Excuse me, Mr. Busby, but the matter of expense, to which Mr. Burns referred, was something that I was interested in.

Mr. BEEDY. What does he mean by more expensive? That is what I would like to find out.

Mr. BURNS. If I have not made it clear——

Mr. BUSBY. I think I understand. You think that the Government would be put to a less expense if it just issued checks to the several States and forgot about it, than to try to keep any account or keep any track of how it was spent, whether wisely or indifferently.

Mr. BURNS. No; I do not want to be represented as saying that. I would expect the Government to keep track of the expenses. I expect them to keep a monthly account with all the States and get returns from the States as to what the States themselves are doing.

Mr. BUSBY. I want to say frankly, so far as my position on this bill is concerned, that I have every feeling in the world for the support of humanitarian work.

Mr. BURNS. I am sure you have.

Mr. BUSBY. But I cannot and will not support this bill in the House as long as we have created a situation here in the name of economy, such as has been created. To then deliberately turn around and wipe out what has been done to accomplish that economy is an action that I cannot support.

All of these arguments and all of these platitudes that you are giving us sound nice. They are very "oily." They go over in good shape. But they will not go over in the House. I am just telling

you this, that you have got to meet the proposition that we voted to cut expenditures and now you are coming along here and proposing that we give away those savings. How are you going to meet that in the House?

Mr. BURNS. Thank Heaven, the responsibility is yours rather than mine.

Mr. BUSBY. We are glad it is, because I do not think there would be very much of the Treasury left if we proceeded on the theory that because there are millions of people that are in need we should go ahead with what you have suggested.

Mr. BURNS. I am sure that if you were out on the firing line, as some of us are unfortunate to have to be——

Mr. BUSBY. I am on the firing line and I am being fired at and I am doing some firing myself.

Mr. BURNS. If you would see some of these families that are compelled to live on $21 a month, even though Uncle Sam has gone in at the rate of $50,000,000 a month, I think that you would vote the necessary amount. Economy, nor any other issue, would not take precedence over care for the starving.

May I make this point clear? I think it ought to be done in a way that will be most economical.

Mr. BUSBY. You have gone into that time and again. What I want to get at is whether or not you consider this a fundamental corrective of a condition that has brought this situation upon us.

Mr. BURNS. Not by one iota do I think that it is a corrective.

Mr. BUSBY. Do you think that it will have to be repeated?

Mr. BURNS. Unless correctives are applied. As I tried to say yesterday, when a man's house is burning down——

Mr. BUSBY (interposing). Yes; I heard that.

Mr. BURNS. Devising fire prevention means is no substitute for helping him out in putting out the conflagration. This is only the fire department end of it.

Mr. BUSBY. That sounds good. But my lack of patience with this kind of stuff is that a condition has brought it on and there is no proposal to correct the condition that has given us this particular fruit, the thing you are appealing for funds to meet.

Mr. BURNS. I am much more interested in the things that will correct it.

Mr. BUSBY. Until they are taken in hand——

Mr. BURNS. You think we ought to wait while people want to eat?

Mr. BUSBY. I appreciate that. We are going to eat. The fellow with the property need not get excited about our eating. My conception of it is that what we are doing here is trying to keep people in bread lines and in soup lines and trying to keep them pacified until certain special interests in this country can get a bigger mortgage on the country through bond issues; trying to stave off bankruptcies and the impatience of the people until that mortgage on the country has been more thoroughly perfected. The people who are not lending a hand to relieve fundamentals are the ones that are benefiting by a continuation of this condition. I think our calamity should come upon us, if it has got to come, and have it affect property and social structure; but you are not getting anywhere by coming in here and trying to dole out the assets of the Nation to keep the people pacified through another season.

Mr. BURNS. That, of course, is the judgment of the Congress as to which procedure they wish to follow.

Mr. BUSBY. I want to say that I have worked on this problem; I have thought over it; I have read the Economy Act; I read the appeal for economy. I am thoroughly and completely convinced that this bill ought not to pass Congress, and I should like some argument to help me get behind it.

That is all.

Mr. LUCE. Mr. Chairman, I should like to ask the witness a question. I can show you figures in printed reports indicating that of two institutions in a certain State close by each other, doing the same kind of work, one Federal and one State, the per capita cost per inmate in the Federal institution is more than twice as great as it is in the State institution per day, according to the printed reports of the two institutions.

You are proposing to embark, or you have already embarked, the Federal Government in a policy of sharing to care for the destitute in this country.

Could you substantiate that that is a more economical proposition, as you have intimated you think it is?

Mr. BURNS. My answer would be this: In the first place, we are not advocating the Government's embarking upon this, but we are advocating the continuance of the United States Government in relief work of the country. They have been at it for between 8 and 9 months.

There is no proposal in this bill for the United States Government to set up machinery within the States to administer the relief funds. The entire administration within the States is to be in the hands of the authorities under the Governor of the State, so that those economies to which you refer as being under State management rather than Federal management will be possible so far as the actual distribution of these relief funds is concerned.

Mr. LUCE. But you are contemplating that the United States shall spend $350,000 a year which it seems to me is some modicum of Federal share in this responsibility.

Mr. BURNS. The bill provides that, and I believe that is a modest amount for any kind of auditing of the claims that the States will make upon Federal funds. Certainly that is not out of proportion to provide for the exercise of discretion as to the need for funds over and above this matching amount of $200,000,000. You see, it is less than one tenth of 1 percent; $500,000 would be one tenth of 1 percent of $500,000,000, would it not? Any of you who are used to administrative expenses will agree that one tenth of 1 percent is not a large expenditure for supervision.

Less than one tenth of 1 percent of the total in some kind of United States supervision of the whole operation seems to me to be a modest provision and certainly does not contemplate the United States officers going into the field where the States have already set up extensively their own organizations for administering relief funds within the States.

I think you will get economy there.

Mr. GOLDSBOROUGH. Mr. Burns, the one tenth of 1 percent that you now speak of is a very small part of the expense of administration. That is the primary expense of the Government getting the money

to the States. Then there is the State expenditure of getting the money to the people.

Mr. BURNS. Yes.

Mr. GOLDSBOROUGH. You ought to carry out your argument logically. Personally I hardly think it is reasonable to argue that the expense is only one tenth of 1 percent. That is only the primary expense.

Mr. BURNS. If I said that, I did not make myself clear. I meant to say that that is only the Federal Government's part of the expense. I understand perfectly well that this economical administration within the States to which Congressman Luce has referred will also bear a part of the total expense of administration.

Mr. KOPPLEMANN. Does this bill give the States the right to set up any kind of an organization that they deem fit or necessary?

Mr. BURNS. Section 5 on page 7 indicates that before a State gets money, they must not only indicate the need but the provision made to assure adequate administrative supervision. That is one of the matters that a State will report on. The bill requires that they report on that and then the next section refers to approval by the administrator and certificates of approval. In other words, I take it that Uncle Sam is not going to pass out this money without exercising any responsibility whatsoever as to whether the plan seems suited to the purpose. But as to the operation of the plan within the State, the details of that, there is no provision for the United States to participate in it.

Mr. LUCE. Mr. Chairman, if I may take the witness for a few minutes——

Mr. KOPPLEMANN. Excuse me, Mr. Luce; I did not mean to interrupt.

Mr. LUCE. That is all right; I do not want to forget what I wanted to ask, that is all.

There were, until the other day, something more than 1,000,000 veterans receiving compensation, presumably nearly all of them needing that help. While this is simply an estimate, I conjecture that some two or three hundred thousand of them have now been turned over to the States for help in order to live. I do not know whether you want to commit yourself as to whether that was a wise thing for us to do or not.

Mr. BURNS. If you are asking me as to whether I believe that veterans who did not meet their disabilities in the war——

Mr. LUCE. I am not asking you that.

Mr. BURNS. I thought that was the change that was made in the law.

Mr. LUCE. It was the reason for the change, but the result of the change is what I am directing your attention to, that two or three hundred thousand men and their families will now have to be supported by State or local charity, where they were receiving a bounty from the Federal Government.

Mr. BURNS. I believe with you, Mr. Luce, that the more local the administration of charity, the more likely it is to be efficient and economical.

Mr. LUCE. That is the main proposition to which I want to call attention, and I wish you would shout that from the housetops.

Mr. BURNS. I believe in it, and I believe that if you depart from that principle I should seek an amendment to the proposal to bring about the maximum of State and local administration of the funds which I understand this bill does preserve.

Mr. LUCE. But you are recognizing that if we give this money it is our job to spend $350,000 a year as our share of the administrative expenses and the taking upon ourselves of administrative duties.

Mr. BURNS. Yes.

Mr. LUCE. You are therefore taking by just that much, local responsibility away and centering it in Washington.

Mr. BURNS. What I am saying is that we certainly, in this Federal relief field, are embarking in a new Federal responsibility. I do not believe that any government has the right to hand out $500,000,000 without assuming any responsibility whatsoever as to how it is going to be spent. I think there is a necessary added expense when a new partner comes into an enterprise of that kind. I believe that $350,000 on so big an operation as this, is a modest and reasonable and economical expense for the discharge of this additional function.

Mr. LUCE. I do not criticize the amount. It might be 30 thousand or 3 million. The principle involved would be the same, that the United States Government is now taking a hand for the first time to fasten a dole on this country. Regrettable as it is, I want to lessen the amount of damage and the complications as much as possible. England has found the dole a curse. It has been probably the worst thing that England ever did, the fastening of a dole upon itself, as an institutional affair. I want to avoid that here, if possible.

Let me ask you still further why we ought to take over State responsibility? You have explained truly enough that State laws and the difficulty of changing laws and changing constitutions interferes and makes it at the moment a slow process. But in every State in this Union there will be held this year, and in some cases within a few days, State constitutional conventions for the purpose of considering the eighteenth amendment. If the States had wanted to change their constitutions, they had the opportunity to do it quickly, speedily.

Furthermore, perhaps 40 of the 48 States in the Union have had legislative sessions this year and some of them have met the emergency. Others have not. May that not be taken as an illustration of the fact that the tendency is to "let George do it," to transfer the responsibility to somebody else, chiefly through fear of personal political disaster?

That has happened in my own State. They have only now been forced to cut their own salaries—the members of the legislature—and to enact legislation that ought to have been enacted a year ago for the reduction of expenses. The members of the State legislature have the personal motive of shifting this burden on to the country, if they can, and here you come with a proposition to encourage every legislature in the land to turn to Washington for help.

Do you not see why we dread it?

Mr. BURNS. I dread it myself, Mr. Congressman. I think one of the difficulties, as I have tried to say over and over again, is that we embarked on this general policy, that I think is a necessity, on the wrong foot. I think that the nondescript legislation of last summer, where you could not tell whether it was a loan or a gift, was the kind

of legislation that was calculated to encourage to the utmost this very tendency that you deplore and that I deplore.

I believe it is one of the arguments for this procedure, as shown by the experience of this country in grant in aid legislation for the last 21 years. This kind of legislation, as shown by that experience, will call out the maximum of response on the part of the States as compared with this nondescript legislation; Mr. Baker, talking with him three weeks ago about it, said "We have been trying to operate on a fictitious base." Senator Costigan, I believe yesterday or the day before, called it a subterfuge base. I think we got off on the wrong foot, frankly.

Mr. LUCE. Let me say a word about the increase of demand for grants in aid. It began about the time that I came here, 14 years ago, and has been growing steadily. Here is still another step in that same direction that has so alarmed many of us, because of the unwillingness of the States to carry their own loads.

Let me give you one illustration of what is going on. I happen to be a member of the Committee on World War Veterans' Legislation, and while it was functioning—it is no longer functioning—but while it was functioning, there came to us year after year from Chicago, a man pleading for Federal money to build more neuropsychiatric hospitals, showing that in Illinois in the State institutions cots were being put in corridors and everywhere they could be, but that the State refused to build more institutions of that kind to take care of the neuropsychiatrics, because it expected us to do it. Year after year came to us the plea to spend money to make good what Illinois refused to do. We look upon Illinois as one of the richest States in the Union, perhaps the second richest, and we see proof after proof that it is trying to saddle on us its load.

The State of Illinois could hold a constitutional convention if it wanted to rectify the situation. But for political reasons it will not do so.

My own judgment is that, horrible though it may be, it may be better for some persons or many persons to suffer than that this country be destroyed. You do not know how much talk is going on of the possibility of a dictatorship in this country and how wide is the unrest and the demand because our States have refused to do their duty and our legislatures are evading responsibility. The Government cannot much longer stand the load.

This is a terrible problem that you are putting up to us, not in and of itself, for we can stand this money, of course. But we are piling up here a crushing debt under which our country will sooner or later collapse.

Now, I want to speak of another thing. There is a bitter couplet that runs through my mind again and again. It is only half true, but there is an element of truth in it.

> Organized charity, frozen and iced
> In the name of a cold statistical Christ.

That is what you are encouraging. I recognize that you must have organized charity. But here you are still freezing it further and taking away the ideal of our fathers that every man should look out for his neighbors; that the people in their own streets should look out for the distressed in their streets; that the people in their wards shall

look out for the distressed in their wards; that the people in the town shall look out for the distressed in their town; that the people in the city shall look out for the distressed in the city.

Now, you are asking us to begin to take away all individual motive for giving. I rebel against it.

Mr. BURNS. Mr. Chairman, if that is a question, I should like to answer it by saying that I know nothing so cold as deaf ears in the face of starvation, and I think that with all the difficulties that our Government is suffering from, and our people as well, that there is nothing that is so likely to endanger the stability of our civilization as to let hundreds of thousands of people starve. It is only because I believe that is a more fundamental obligation than any other obligation a government can have——

Mr. LUCE (interposing). But it is an obligation on the individual and not on 120,000,000 people working cooperatively.

Mr. BURNS. Well, all I can say is that if you think the giving of this country with its income going down as rapidly as it has been going down in the last 3½ years, is at all equal to this burden, then it must be that you have not any conception whatsoever as to the extent to which this burden has increased.

Mr. LUCE. But, my dear sir, I come from a State that is handling its own burden.

Mr. BURNS. Not out of private giving.

Mr. LUCE. I am not saying out of private giving.

Mr. BURNS. Then I misunderstood you.

Mr. LUCE. I mean to say that I do not want to encourage the destruction of private giving or the destruction of community giving.

Mr. BURNS. That being my business, of course, I do not want to, either.

Mr. LUCE. I do hope that if the States would realize the responsibility, which you have so eloquently put before us, and truthfully, they could handle their own loads and would not try to beat the devil around the stump by paying money to Washington to have it sent back.

I have not heard a word of argument presented here that seems to me conclusive as to why if they want to give this thing, it would not be better to have the Treasury draw its checks and send them to the State treasuries. I have not heard the slightest that seems to me valid reason for our creating another Federal bureau to administer this proposal.

Mr. BURNS. With all that you have said about effective State administration, and pointing to the fact that what you say means that $500,000,000 would just be distributed automatically without any supervision whatsoever, if your experience is, human nature being what it is, that no safeguards need be erected, that we may just take the attitude, "Come on in, boys, the water is fine; here is $500,000,000 to be handed out"; if that is the economical way to administer a fund like that—if that is the experience of all the past State-aid legislation in the United States, well and good.

Personally, I do not believe that the Federal Government's experience in State aid would point to such a free-for-all distribution as that, as being the most economical way to distribute the money.

Mr. SISSON. May I interrupt for just a moment, Mr. Luce?

Mr. LUCE. I am through.

Mr. SISSON. I do not know that I want to ask Mr. Burns a question, because I assume that he is not here as an expert perhaps on all of the things on which he has been examined.

Mr. BURNS. Certainly not on Government finance.

Mr. SISSON. To make the record clear, while I have great respect for and a good deal of accord—in fact complete accord—with Mr. Luce's position with respect to the responsibility of States and the responsibility of individuals, and so forth, I think we ought to all recognize that what he is contending for is an ideal, a principle. However, with respect to the ability of the States to change their constitutions to meet this emergency, taking as an illustration our own State of New York, that could not possibly be done.

In the first place, we have injected prohibition into this discussion. The repeal conventions—we assume there will be repeal conventions, I hope so—can pass on only one question. Furthermore, a State constitutional convention in the State of New York cannot amend the constitution. It can only propose an amendment that must be passed upon at an election by the people. I do not know whether that is true of other States, and if so, how many of them; but that is true of the State of New York. So that that practical obstacle presents itself to what you refer, Mr. Luce; and I am speaking with all due respect to you.

Mr. LUCE. May I comment on that?

Mr. SISSON. Of course.

Mr. LUCE. The question has arisen again and again, both in the textbooks and in the courts; and the weight of authority is to the effect that a constitutional convention, once established, embodies the sovereignty of the State and cannot be restricted as to its action; that it may legislate, it may appropriate money, it may do anythng it sees fit, because for the time being it is the embodiment of the sovereignty of the State. If it were pertinent—of course, it is not here—I can give the gentleman citations from opinions.

Mr. SISSON. Mr. Wadsworth is a better authority on constitutional law and the Constitution of the State of New York than am I, but I am sure that he will verify what I say.

Mr. LUCE. I shall be glad to get the citations from the supreme court.

Mr. SISSON. Our last constitutional convention, Mr. Luce, in the State of New York, was in 1915. The results of it were turned down by the people.

Mr. LUCE. I am simply saying that I can give you the citations from the opinions of the Supreme Court of the State of New York as well as the State of Massachusetts, which substantiate my statement that the weight of legal authority is that a constitutional convention cannot be confined to action upon a single subject.

The CHAIRMAN. This would be true, that a constitutional convention embodying the sovereignty possessed by the whole State, would be simply exercising those powers in submitting what is proposed to the people for ratification and in that action there is no necessary conflict with the principle of law suggested by Mr. Luce.

Mr. BURNS. May I suggest in that connection that whatever the legal possibilities are—and I have no wisdom or learning to speak on that point—just as a private citizen, if our charitable problems were to be dealt with by bodies that were elected formally and almost solely with the viewpoint of dealing with the wet and dry question, I hesitate to think of what the results might be as to wisdom and charitable decision.

May I, Mr. Chairman, just to close on this Federal-aid question which seems to be very much in point and under discussion, say that it seems to me very proper to read from a summary that was prepared for the White House Conference on Child Welfare, 2 years ago last fall. That reviews the history of Federal aid back to 1912, beginning with the Weeks Act for the prevention of forest fires; pointing out that education in agriculture, the construction of good roads, vocational education, rehabilitation of disabled persons, maternity, and child-welfare provisions have been the subjects upon which the Federal Government has acted in this principle of Federal aid or grant in aid. That in the case of road building, Federal participation in road building has not prevented the States from appropriating for road building themselves five times as much, in 1925, as they did at the beginning of the period at which Federal aid entered into the picture; that the forests under State preservation, with Federal encouragement to States, with participation on a 50–50 basis, have increased from 61,000,000 to 196,000,000 acres from 1912 to 1927, in 15 years.

Schools for vocational education have increased fivefold in 9 years.

Vocational aid for the crippled and disabled was provided for in 6 States when the Federal Government entered into that field and now it is being provided for by 41 States.

Mr. BUSBY. May I interrupt you there, Mr. Burns? Does that apply to this Congress? Are those figures applicable to the Seventy-third Congress, as to what they are doing now?

Mr. BURNS. These are figures giving the experience in the United States——

Mr. BUSBY. But they do not apply to present-day, 1933, activities. Those are not involved in what you are talking about there?

Mr. BURNS. I think all present problems are involved in the experience that the Government has had.

Mr. BUSBY. I do not believe you come to my point.

Mr. BURNS. I am sorry.

Mr. BUSBY. These figures that you are giving showing proportionate increases are not true today, are they?

Mr. BURNS. This was a report read into the Senate hearings last January.

Mr. BUSBY. You do not know anything about those different items so far as their present status is concerned, do you?

Mr. BURNS. No. This is past experience of the States.

Mr. BUSBY. Do you not know that many of those items have been cut out or so impaired in their amounts that they do not look like themselves in present-day figures?

Mr. BURNS. I am sure that is true.

Mr. BUSBY. Then, what is your point in bringing that to the attention of the committee?

Mr. BURNS. My point is to show that appropriations by the Federal Government on the principle of State aid or grant in aid has encouraged rather than discouraged State appropriations and participation in the same projects.

Mr. BUSBY. But that was at a time when we had money, not when we were out of business and in bankruptcy, with millions of people on the streets. You realize that does not apply now, do you not?

Mr. BURNS. I admit there are changes in the figures, but I do think that the best device the Federal Government has found for encouraging State participation is not the principle of loaning that we have been trying for the last eight and a half months to put into effect, but the matching principle is very much more likely to get the best results. Let me give you an illustration again——

Mr. BUSBY. I do not want any illustration, if you will excuse me. Do you think that the best way to get this $500,000,000 out to the people, the suffering people, fairly and equitably, would be simply to pass an act providing for the appropriations to the several States according to the population of those States, and let the Treasury issue its warrant to the several States for the respective amounts that the States would receive per capita, and then let the Treasury sell its bonds in the usual way and finance the obligation as it finances others? Would not that be the best way equitably and fairly to share in this proposal, doing away with all the frills and ruffles and getting right down to business; and then leaving it to the State to take care of its people, with that assistance?

Mr. BURNS. May I answer the second part of that question first?

Mr. BUSBY. Yes.

Mr. BURNS. I am no authority upon whether selling United States bonds at this time is better than issuing Reconstruction Finance Corporation debentures.

Mr. BUSBY. They are the same thing, you understand, do you not?

Mr. BURNS. That is not within my province. Now, may I answer the first part of your question? That is as to whether the automatic distribution of the money on the basis of population would not be the best way to meet this problem. The best answer I can present to that is in the figures that I submitted yesterday, showing the great diversities in the per capita amount of relief in different parts of the country, and the figures I have distributed today showing the great diversities in the increase in that amount.

Just to distribute it automatically in proportion to the population is to ignore the vast differences that there are between communities like Detroit, where the automobile industry has been flat for over 4 years, and agricultural communities where we at least have access to the soil and are not in any way in the same dire need that industrial populations are in. If you want a wasteful method of distribution, I can think of no more wasteful method than the one you propose.

Mr. BUSBY. I was impressed with the figures you gave us today, but they applied only to States that have cities of 50,000 or more, do they not?

Mr. BURNS. Those are all the figures we have.

Mr. BUSBY. There is not any city in my State that has 50,000 people, so you are bound to be impressed with the inequality of that kind of figures which are submitted here to the committee.

Mr. BURNS. In the figures that I submitted yesterday I showed that Mississippi had received from the Reconstruction Finance Corporation——

Mr. BUSBY. Which they borrowed and which they proposed to repay.

Mr. BURNS. Of course, the bill does not require them to repay, however, that may be. Mississippi has secured nearly $4,000,000. My point is that you will find that these loans made by the Reconstruction Finance Corporation after very careful scrutiny of figures submitted by the Governors and by the visits of field men to confer with the welfare officials of these States, are not at all in proportion to population.

Mr. BUSBY. Surely not; that is the State's responsibility. But suppose we should pass this bill and permit the Reconstruction Finance Corporation to enlarge their loans.

Mr. BURNS. You were saying on the basis of population; let us stick to that point.

Mr. BUSBY. All right. Go ahead.

Mr. BURNS. The Reconstruction Finance Corporation think—and I am taking their statement—that they have made grants in the terms in which the Governors have asked for them. The Governors have not asked for money in proportion to their population, because they have recognized these diversities between one part of the United States and the need in that part and another. Therefore, if you would make an automatic distribution of the money, you would go back upon what the Governors themselves in practice in the spirit of economy of State officials that Congressman Luce has so well represented to us.

Mr. BUSBY. There is not very great disparity between the suffering and privation between one section of the country and another.

Mr. BURNS. I think there is.

Mr. BUSBY. Do you not think that is a local problem, or do you think that is the Nation's problem? Do you think it is more the function of the Nation to deal directly with those disparities than it is the function of the State or the community that has them?

Mr. BURNS. I think that if the United States goes into the subject of the distribution of money, it had better do it in as economical a way as it possibly can.

Mr. BUSBY. That is not what I asked you.

Mr. BURNS. Excuse me.

Mr. BUSBY. Not how they distribute it, but whose responsibility is it to take care of the emergency in the several parts where the emergency exists?

Mr. BURNS. I think it is the State's responsibility to administer relief within the State.

Mr. BUSBY. Do you think the National Government ought to furnish the money to be administered locally?

Mr. BURNS. Some of it. What I am advocating and my best belief and conviction is, is a method that will join the States, as great a proportion of them as possible, with the Federal Government.

Mr. BUSBY. Is it the Federal Government's business to furnish the money to deal with it locally?

Mr. BURNS. Yes, some of it.

Mr. BUSBY. Would you agree to this, that it would be a fair thing to so amend the Reconstruction Finance Corporation Act as to authorize them to lend to the several States portions of this $500,000,000? Do you not think if the States were getting it as a loan they would be more careful about how they use it than if they were to be able just to come down here and scoop it up and take it on?

Mr. BURNS. I think the States are not half as careful and no borrower is half as careful with borrowed funds when he knows he is required to repay it as he is when he is required to put his own funds in as well, and that is what this act provides.

Mr. BUSBY. I do not believe you have understood the first provision in the act about the $300,000,000.

Mr. BURNS. That is the second provision in the act.

Mr. BUSBY. That is only $200,000,000 though, and after the first $300,000,000 is gone you participate. But that is just one grand rush to the United States Treasury to make a showing. Showings can always be made with figures, you know.

Mr. BURNS. You are reversing the thing when you say the provision for $300,000,000 comes first.

Mr. BUSBY. Well, it goes on and says 300 million and 200 million. Where the State does not have to match the amount they will make a jaunt to come to Washington to get their share of that $200,000,000 or $300,000,000, for which they have no obligation to repay.

Mr. BURNS. I think that as a practical administrator, he would require that they first come in in matching money before they come in for their discretionary money. I believe that the States will be compelled in the best way that the Federal Government has found of compelling States, to make appropriations to share in this burden.

Mr. HANCOCK. I would like to slip in a question and get Mr. Busby's views on it. Mr. Busby, do you know of any State that has made arrangements in its budget to take care of any loan received from the Reconstruction Finance Corporation?

Mr. BUSBY. I am not familiar with that part of it.

Mr. HANCOCK. Do you really think any of them have in mind making arrangements to refund that money borrowed from the Government?

Mr. BUSBY. I could not answer you as to that, because I have not any information on it. I would rather have them to agree to repay it than to be silent on the matter and have them to obtain it as under this bill. Is not this bill really an appropriation for the various States? Based on the experience you have had for several years, you know that the only source of revenue the Federal Government has is from the people to the Government.

Mr. HANCOCK. Through the instrumentality of the several States?

Mr. BUSBY. Surely, exercising the taxing power is the only way I know of.

Mr. HANCOCK. In other words, offering this service is the only way that the Federal Government can help in this matter?

Mr. BUSBY. There is no money in the Treasury. At least, the Treasury officials say there is not, and they have to get it from the people who have incomes, or have them sell their property and put that money into the Treasury.

Mr. BURNS. May I make a suggestion in the form of a question: On that point, is it not the experience of all of us that a free and practical borrower is more careful with the expenditure of those borrowed funds than he is where he makes a substantial contribution himself to the amount to be expended?

Mr. HANCOCK. I would like to get one point clear.

Mr. BEEDY. I think there is only one answer to Mr. Burns' question and that is to say that the thing he wants us to do is for us all to agree that the inevitable answer to that question is. The only thing that troubles me about this bill is that after October 1, next, they do not have to match any funds unless the administrator compels them to do so.

Mr. HANCOCK. Here is the point I want to get cleared up, because I know that for the next several weeks we are going to have a number of inquiries as to how this money is going to be used? What is your interpretation of the few words of the bill set out in section 4? In other words, what limitation is there in the bill with respect to the various ways and means the various State agencies can use this money to extend relief to the people? What I have in mind is this: Could a board of county commissioners authorize that a certain portion of this money could be used in a county to patch roads with in order to afford work to people? Could a portion of it be used to buy materials in order that people might place that material in the roads?

Mr. BURNS. I have been an advocate of work relief as a more self-respecting way for the people to deserve relief that doles for some 20 years, going back to 1914, and I realize also that it is the more expensive method of relief, financially speaking, but not humanly speaking. I believe that to let humans work for their relief makes for a return in the preservation of human self-respect and independence, which far outweighs the additional expense.

Mr. HANCOCK. In this particular section you use the words "furnishing relief" and "work relief," and I think those two terms ought to be clarified, because it would be a great aid to the administrator and also to the various relief agencies in the Nation.

Mr. BURNS. Yes; in both. The bill provides for both direct grants in aid to families and provisions for letting able-bodied men work for their relief. Now, the work relief is a much newer form of relief. Twenty years ago I was nearly run out of Cleveland as an executive of Mayor Baker's relief committee for advocating work relief. I stood by the mayor. I know it is very much more difficult, because experience teaches in dealing with work relief we might be wasteful and putting money into materials rather than into aid. But that is one reason why I believe there is some good in having some Federal plan for work in connection with relief.

Mr. HANCOCK. You do not believe that term could be stretched to include public work? Or could you use such a term as "in contract work"?

Mr. BURNS. No. Work, as it has come to be accepted throughout the country, is the employment of men where the selection of the men is based upon the relative need as compared with private motive. That is, in any ordinary conduct.

Mr. BEEDY. In what kinds of work?

Mr. WILLIAMS. What work do they do?

Mr. BEEDY. What is your answer to that question about the county commissioners?

Mr. BURNS. I am sorry that I do not remember the county commissioner question. Was it that: could they just build the ordinary road?

Mr. HANCOCK. No. I asked whether a county commissioner could use a portion of this money for payment for work for just patching work in order to afford work to men in a community?

Mr. BURNS. It seems to me there is not any question but that they could. It seems to me if we have a wise and economical administration that the administrator will do his utmost to require the States to use the Federal money for the purpose of actually paying the men. He could require it, and also that any material to be used in perma-

nent improvements should be of such character that these men are capable of utilizing, such as grading, and so forth, for the county and State. I can not speak for the man as an administrator.

Mr. HANCOCK. Do you think that a State agency itself could follow that same practice?

Mr. BURNS. Of requiring counties?

Mr. HANCOCK. No, in affording work for the use of this fund?

Mr. BURNS. Some one has got to pay for the material.

Mr. HANCOCK. Could a State highway commission use any portion of this fund in order to patch State roads and thereby give work to people?

Mr. BURNS. That is being done in work relief projects throughout the country today.

Mr. HANCOCK. I just wanted to get your idea about it.

Mr. BEEDY. He means out of this gift money.

Mr. BURNS. It depends on the degree of supervision exercised.

Mr. BEEDY. We all agree that that is within the discretion of the administrator.

Mr. CROSS. Do you not think it would be wise?

Mr. BURNS. I think the question I was asked was as to what kind of work was being done under these work relief provisions?

Mr. WILLIAMS. And what kind of work can be done.

Mr. HANCOCK. Let him answer those two questions: What kind of work has been done and what kind of work can be done.

Mr. BURNS. New York State has had quite an extensive work relief program. About half the amount of $55,000,000 the State has appropriated has been spent in work relief, the localities having to join in the proportion of 60 percent local fund to 40 percent State funds, so that the half of the 55 millions represents only 40 percent in round numbers of the total work relief that has been carried on.

Mr. CROSS. Do you not think, instead of just leaving it to the Administrator to take whatever haphazard notion he might require, that it would be wise to put an amendment in here that the funds that can be used (I do not mean in buying material) in patching roads with picks and shovels, and in setting out trees? It is far better for a man to dig a hole and fill it up than for him to sit there and merely eat his food. Let him do something.

Mr. BURNS. I contend that. For 20 years I have advocated that and have followed that principle, and only in recent years has there been any departure. Take Virginia, which has received more than $3,000,000. I understand that every cent of that money in Virginia has been spent in road work for relief, the persons being given the work on the theory of work relief.

Mr. HANCOCK. Is that not on the theory that 70 cents of every dollar that goes into public roads goes for labor?

Mr. BURNS. If you are talking about the ordinary road, that would be but not the concrete roads today. But, of course, the ordinary force such as you have to employ in work relief is not skilled in road building. They could work on dirt roads. I think that that is the idea.

Very much of our work relief in New York City has been in taking areas that the city has bought and has not contemplated improving for the time being, and improving those areas for park purposes through the employment of these men for work relief.

The CHAIRMAN. I want to ask one question: Whether or not it would be proper for some of the money to be used for the construction of levees in towns where human life is in danger?

Mr. BURNS. Of course it could be used for that purpose, and as I understand it work relief has been extensively used for that purpose. A great deal of the flood relief work now going on in Ohio is work relief.

Mr. WILLIAMS. Any kind of public work project, is that right?

Mr. BURNS. Yes, sir.

The CHAIRMAN. The House is in session, so we will adjourn until Tuesday morning at 10:30 o'clock.

(Thereupon, at 12:15 p.m., the committee adjourned until Tuesday, April 18, 1933, at 10:30 a.m.)

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UNEMPLOYMENT RELIEF

TUESDAY, APRIL 18, 1933

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The committee met at 10:30 o'clock a.m., Hon. Henry B. Steagall (chairman) presiding.

The CHAIRMAN. Gentlemen, the committee will please come to order. We have with us Mr. Lovejoy, who will make a statement to the committee.

STATEMENT OF OWEN R. LOVEJOY, REPRESENTING THE CHILD WELFARE LEAGUE OF AMERICA

Mr. LOVEJOY. Mr. Chairman and gentlemen, I am here representing the Child Welfare League of America, This is a federation of agencies and organizations interested in child welfare. Approximately 150 organizations are federated, representing all parts of the country.

The organization is very representative. The president is Mr. J. Prentiss Murphy, of Philadelphia. Vice presidents are Miss Lenroot, of Washington, Mrs. Rosenwald, of Philadelphia, and Miss Drewry, of California. The treasurer is Mr. Biser, of the Henry Watson Children's Aid Society of Maryland. A director is Dr. C. C. Carstens, who I suppose is recongized as the leading expert in the care of children.

Under the care of these various organizations in the federation are approximately a half million children. These are children very largely whose homes have been either temporarily or permanently broken by health or family discord or poverty or some other cause that breaks up American homes.

These children are taken care of in foster homes, which furnish the kind of care that the family is no longer able to furnish, or else in child-caring institutions of various kinds.

Perhaps it is obvious to the members of the committee, the relation that work for the temporary or permanent care of children has to such a proposition as the one that is before you, but if you will bear with me for a few moments, I should like to present some concrete facts showing the relation.

In the preceding hearings the question was asked several times of Senator Costigan and Senator Wagner and Mr. Burns, particularly, whether the several States had done their utmost to meet the needs of the people before appealing for Federal assistance. Of course, the amount of sacrifice that the public has made varies; doubtless everywhere something more could be done. It is impossible to say that the absolute limit is reached. But funds for relief come in two

ways, either through taxation or through private philanthropy and the ability of the people in either direction for all practical purposes is realative and is not absolute.

For example, when funds are derived from taxation, if the tax is too heavy, the taxes are not paid; the property becomes delinquent, and we reach the point of diminishing returns. We have had some examples of that in the automobile taxes of various States where they have become so heavy that automobiles are laid up for the year and not used.

In one State, for example—in New York State—there was the recent action of the Borden and Sheffield Farms Dairy Cos. When the truck tax was made so heavy this year, they laid up the majority of their trucks and put horses back on the job in order to avoid the payment of that tax.

You know that much of the farm land of the country is now in trouble because of the tax rate, and also because the mortgage interest rate became so high that the income from the farm could not meet the obligations. So those farms have become delinquent.

You also know the plight it has put many of our banks in, especially in the small communities, because they have to carry the paper on these farms.

Where agencies are supported by private funds, the pressure is apt to become so great that attention is focussed on the most immediate forms of distress, and if generous contributors to the more far-reaching types of service feel that the burden of public support has become excessive, they withdraw or withhold their contributions to the private agency, no matter how deep their general interest is. They feel that the immediate necessity must have first consideration.

This situation has been reached in the present crisis. Mr. Baker some months ago made this clear. It is all very well to say that the ordinary forms of social welfare must not be neglected, as he and others have said; but I think we all recognize the validity of the principle. However, as Mr. Burns said the other day in one of these hearings, when a house is on fire, a discussion about the best kind of ordinance for fire prevention does not help put out the fire.

This is the situation that we have reached. Distress has become so acute that through local, public, and private agencies, we have virtually commandeered the entire public to help combat the flames. That has happened in many of our communities.

Many of us feel that this is a job in which the Federal Government should take an active part and serve as an organizing, directing and stimulating leader. The question was asked several times in your previous hearings whether the sum proposed in this bill—and it is a large sum—would not tend to slacken effort in various States and localities. I believe the experience in every similar enterprise has indicated exactly the reverse.

I should like to tell you how I think this plan will work. In the first place, it calls for the appointment of an administrator and gives that administrator very general powers. If I were asked to advise on the plan of work under the administrator, I would suggest what I think any man would probably do in that position. He would appoint 10 or 12 expert field men in order to divide the territory of this country into various regions, and make a study first of all of the relative needs in the different parts of the country. Then they would come together and have a complete, coordinated picture of the situation as it exists throughout the country.

Before distributing money to any one part without knowing what the needs are in the other sections, they would have that complete picture before them. My confidence in the judgment of our President is such that I believe he will apppoint a man who will have the skill and organizing ability to lay out the whole field and have a picture of what is actually happening and what has happened, before funds are distributed.

If it is objected, as it was the other day, that some States may be slackers, it seems to me that the plan suggested in this bill offers the very best means of preventing that, because, as you are all aware, the bill provides that the total sum shall be divided into two parts. The first part of $200,000,000 is to be distributed on a matching basis. That is, before a dollar of Federal funds is used, $3 of local funds must be used.

In other words, the Federal fund, in the first part of it, the $200,000,000, will match $600,000,000 of local funds—State and local funds.

I should suppose that before any of the last part, the $300,000,000 is drawn upon, an administrator would make sure that each State had done its best under the matching plan, before he would listen to an appeal from them for an outright gift based on an alleged extreme need.

So there would be $800,000,000 spent in relief, theoretically, before the $300,000,000 would be drawn upon.

It seems to me that that is clear and is the best defense against the fear that some State or some locality may be a slacker.

When the matter of failing to do an adequate share in a locality is discussed, I think we need to remember that there are very great gradations of ability in the country. If it were alleged, Mr. Chairman, that Alabama did not raise as much for relief as California, I think everyone ought to understand that that may not be because Alabama is not as willing as California to meet local needs; but it may be due to the fact partly that the adult per capita wealth of Alabama is about one tenth that of California. South Carolina, I believe, has an adult per capita wealth of one fourteenth of that of California. So that you see there is a difference in absolute ability.

The point I am trying to make is that if our States and local communities could have the benefit of leadership and financial cooperation of the Federal Government in meeting the most urgent cases of distress arising out of this depression, local funds for the support of all types of welfare work fundamentally necessary to the future progress of these communities would be released and could be contributed either through local taxes or private philanthropy, or both.

I should like to give just one example of these 150 children's societies in the country, and that is an example growing out of my own experience with the Children's Aid Society of New York, which is the organization with which I am directly connected, and where I get my livelihood.

The New York Children's Aid Society is the oldest and largest child-caring organization in the country. It was founded in 1854 and has grown until in recent years its annual budget is approximately $1,000,000.

However, for the past 3 years, we have suffered an annual deficit ranging from $200,000 to $250,000. This has been due to three causes.

First. The income on securities which we hold has been reduced.

Second. Contributions from individual givers have fallen off.

Third. The demands for service to needy children have more than greatly increased.

Our interest in this bill is not that we are asking for anything as an organization from this Federal fund, but our interest is due to our knowledge that local resources are not able, practically, to meet local needs. Our home relief and work relief projects in New York City while operated on a huge scale are on a bare subsistence level, and necessarily the health, educational and recreational needs of children are being neglected, because all the emphasis in our local community is placed on the meeting of immediate hunger and lack of clothing.

Our school budget is being reduced. Members of the staff of our recreational agencies are being cut off or their salaries reduced. Parks and playgrounds are being left unused because of lack of supervision and appropriations for all these fundamental needs in child protection are having to be reduced at a time when obviously they ought to be increased, because children are getting less protection in their own homes than ordinarily.

In our foster home care department we have the same situation. This means that when a family is temporarily broken up and they bring the children to us for care, we try to put them into a foster home where they will be boarded and will receive as nearly as possible the care that they would get in their own homes.

In ordinary times the parents pay a majority of the board of these children. In recent years it has been dropping off until now the parents of children who are placed in our foster homes pay practically nothing. We have to carry that load. Last year, of our deficit of $200,000, almost $100,000 was due to this one cause, in this one branch of the organization.

At the same time, supporters of our work who have supported it for years, are so appealed to by the drive of what has been the Gibson committee during the past 2 years and by an increase in taxes and a cutting down of their income, that they are not giving the money that we need to carry on the work.

We also carry on an extensive service for older boys, boys from 16 to 21. It may interest you to know that the New York Children's Aid Society made the quickest and largest response to the reforestation recruiting of any organization in the country. We have already enlisted about 450 boys that were under our care in New York City at the time this reforestation plan was set up.

We maintain health and recreation centers, boys and girls clubs—10 of them in the city, where we take care of from 12 to 15 thousand children a week. We are having to cut that down and some of those will be closed this summer, because we have not the funds to carry them on.

We are not asking the Federal Government to furnish these funds. What we do believe is that if this agency is set up to take care of the problem arising from unemployment, hunger, lack of clothing, inability to pay rent, our own people will rally back to their local

duty and will respond in a way to make it possible for us to carry the load and not neglect these children and their future needs.

I have given this description of our own work at some length, because I wanted you to see that this is just one of 150 units represented in this league that I am here to represent.

You gather from this how direct the interest of these child-caring agencies is in a measure of this kind. Whatever is said about the New York Children's Aid Society is typical of the agencies throughout the country, with one exception—and I think this is a point very worthy of consideration by your committee.

The New York Children's Aid Society is large and strong. Although its service will be limited and seriously crippled if this depression continues, we shall, in all likelihood, survive. Many similar organizations, but smaller and weaker, will not survive. They are going to be permanently broken down and standards of child care that have been gradually developed in this country over a period of 50 years will go by the boards; and when we emerge out of this depression into what we hope will be fairly normal times, all that mechanism will have to be set up again and new recruits will have to be brought into the field, and an expensive and time-consuming reorganization of child care will have to be developed.

That is all, Mr. Chairman.

Mr. WOLCOTT. Mr. Lovejoy, have you any figures as to how much money has been given the different organizations under your league, by municipalities and counties and States?

Mr. LOVEJOY. Generally through the country?

Mr. WOLCOTT. Yes.

Mr. LOVEJOY. I have not. I think Mr. Burns would have that. In our own organization we get nothing from the State or the municipality, except——

Mr. WOLCOTT (interposing). I have in mind the case of the Michigan Children's Aid Society, one of your fine organizations, and one which does fine work. It takes a great many of the children from the counties, from delinquent families. In consideration of that, the counties quite often in Michigan—and I presume it is true throughout the Nation—have made appropriations in years back to the children's aid societies. I presume that you are embarrassed at the present time by reason of this aid being cut out. What I wanted to find out is, how much of that burden that has been carried locally in this case in the past will it be supposed that the Federal Government will assume in the future under the terms of this bill?

Mr. LOVEJOY. Under the terms of this bill, as I understand it, there is no specific provision made for making contributions to children's agencies for foster home care.

Mr. WOLCOTT. But my point is, the fact that these counties are not in a position now to make contributions to the children's aid societies, and because the effectiveness at least of the work of the children's aid societies will be curtailed somewhat, the burden will fall back on the municipalities and this money which we desire to appropriate for this work will go to municipalities to perform the same service that the children's aid societies have been doing. So it amounts to about the same thing. I wondered if you would be able to give us some idea of how much that would be?

Mr. LOVEJOY. I am afraid I could not tell you that. I see the point that you are making, though. I think that will be true. I have here some reports from various sections of the country made to the office of the Child Welfare League.

This is a news release that will come out next Monday. I do not know when these hearings are going to be printed; can you tell me, Mr. Chairman?

The CHAIRMAN. I do not know; as soon as possible.

Mr. LOVEJOY. Would they be apt to be released before next Monday?

The CHAIRMAN. Oh, I hope so.

Mr. LOVEJOY. Then I would not be able to distribute these, but I should like to leave them with the chairman for the use of the committee. It gives the plight of many of these organizations. One of them is the Michigan Society; another is the one in Alabama; another the one in Pennsylvania; another the one in Maryland. The situation these organizations are in today is extremely serious and it is getting worse and more serious every day that passes.

Mr. FARLEY. Just a question there, Mr. Lovejoy. Did I understand you to say that your society did not need these funds?

Mr. LOVEJOY. No.

Mr. FARLEY. You do need them?

Mr. LOVEJOY. We do need funds, from any source.

Mr. FARLEY. How will you secure funds from this appropriation in the event this becomes a law?

Mr. LOVEJOY. I think, sir, that we will not receive any funds from this appropriation, in our society. What we do hope is that if Mr. Jones and Mr. Smith are released from part of the pressure, for instance, that the next Gibson committee will bring upon them, or that the increased local tax burden brings—if they are relieved from some of that, they will begin again to give to us, as they used to. It is an indirect result, so far as we are concerned, rather than a direct one.

Mr. PRALL (presiding). If there are no further questions, we thank you, Mr. Lovejoy.

Mr. LOVEJOY. Thank you, Mr. Chairman.

Mr. WADSWORTH. Mr. Chairman, how long is it expected that these hearings shall continue? How many more witnesses are to be called?

Mr. PRALL. I have no idea.

Mr. WADSWORTH. Of course, Mr. Lewis has been here for 4 or 5 days waiting an opportunity to be heard. He is the author of the bill. But, after that, I am wondering if there is much more for this committee to learn.

Mr. PRALL. We shall be glad to hear Mr. Lewis now.

STATEMENT OF HON. DAVID J. LEWIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. LEWIS. Gentlemen of the committee, I shall take but a few minutes of your time.

May I say frankly to the committee that I could not give them any particular light on the technique of the bill. It happens that I did not prepare the bill. It was prepared by our colleagues over on the Senate side and I am informed it was examined with great care by the President himself and has his approval, line by line.

There are just one or two thoughts that I think appropriate to the entire discussion.

I fear that the American people are not sizing up in their usual way to this problem. Certainly, if we institute comparisons with other countries of the world, we are very, very great defaulters, indeed.

This bill would carry all told some $500,000,000. That happens to be just one sixth of the amount being carried by similar public appropriations and charges in the Republic of Germany today. I have before me the figures for 1931. $1,514,800,000 was the gross sum carried in the German figures for unemployment emergency relief, invalid care, old age care, accident insurance, miners' pensions, and so forth.

Mr. WOLCOTT. Is that figure you gave marks or dollars?

Mr. LEWIS. That has been converted into dollars. The figure for marks would run up to 6,359,000,000.

Mr. KOPPLEMANN. Does that include municipalities and States?

Mr. LEWIS. I do not know. Presumably a figure as large as that is all-inclusive.

Our total figures, according to Mr. Burns, in the last year was $1,000,000,000 for the United States, including all the local contributors.

Now, let us turn to England. Of course, when I was referring to Germany, the population of Germany is just about half of ours—60,000,000; if you double the figure for Germany in order to make a comparison on the basis of population, the figure for Germany would be $3,000,000,000. Then, if you add—I do not know whether in these distressing times you can add—but if you do add another factor, the larger social wealth per capita of our country, before equality is reached in our respective contributions, the figure would be even more than 3 billion.

Now, take the case of Great Britain. The figures in 1931—and that was a gold year; I think perhaps the Government went off the gold standard late in September, so it can be treated entirely as a fold year—the figures there covering like kinds of social aids, converted from pounds into dollars at the ratio of $5 to the pound, were $1,158,800,000, and distributed according to population figures, you would have something like three and a half billion as the contribution to the country over which the flag of England waves.

Mr. BEEDY. If you would pardon an interruption, I should like to be clear if those figures cover appropriations made by the central governments; I mean, if you are comparing them with this sum of $500,000,000?

Mr. LEWIS. I think they are entirely national figures.

Mr. BEEDY. The question was asked whether they included State and municipal appropriations.

Mr. LEWIS. I think not, in either case.

Mr. BEEDY. And it certainly does not cover private contributions.

Mr. LEWIS. In the case of England, with their unemployment insurance, there is a contribution by the workmen and a contribution by the employer. In normal times a contribution equal to one third from the Government would have met the actuarial calculations so far as the requirements were concerned. But in these depression times the Government of Great Britain has become the very heavy contributor.

However, all the funds may be characterized as public when they are raised by public statute, by public institutions, and distributed by public institutions.

Mr. BEEDY. Have you any comparable figures for this country?

Mr. LEWIS. I have only the figure that Mr. Burns gave, a billion dollars for last year, 10 percent of which was private contribution.

Now, just another line of comment that I fear may not be as informational, but I think highly relevant to this whole discussion. We are Americans. This is an American community. This is a national community. We have a Government provided for that national community. The words I am using are not at all original. They are taken from the correspondence, indeed the letter of General Washington when he recommended the acceptance of the Constitution of the United States by the colonies.

This play of hide-and-go-seek of our institutions certainly ought to halt before some kinds of human misery—and this is one of the kinds. When public utilities play the State sovereignty fetish in national courts and then play the national sovereignty argument when they are in the State courts, we understand that strong commercial motives are in action, and we know how to meet them.

But, I repeat, this is a national community. The community of the United States today is more distinctively a community in a national sense than any State in America is a community.

Maryland, it is true, is a political community. But Maryland is not a community in any other sense. It is divided up into a number of smaller communities; Baltimore being one, of course; Cumberland, Hagerstown, and various portions of the State being other communities.

There is one community that is really a community and that is the national community.

The question that is presented to us is not merely a Christian question. The question is a national question that should be considered in the light of our patriotic and dutiful feelings.

Why is there trouble in the United States over this matter? How does it happen that Great Britain and Germany in a national way raise and actually apply to this problem six times as much revenue, public moneys, as we are thinking of applying in this bill that has aroused apprehension—I must confess I feel the sincere apprehensions—of some Members?

Now, I am going to say something that may seem a little sensational and I do not like to indulge in sensational statements; and it is not my fault that the statement is sensational.

The Congress of the United States, for a generation, has been exempting the middle classes from taxation, so far as incomes and inheritances are concerned.

If you will take—and I do not mean that these figures are at all conclusive, but they are suggestive—the case of a married man and his wife, without children, who have a net income of $3,000 a year, they can be said to belong to the middle class. If you take the case of that same couple with an $8,000 income, such a man and his wife can be said to be going into the wealthier, the more opulent classes; $3,000 and $8,000 may be said to represent, roughly, the income indications of the lines of the middle class in America.

Now, I repeat my statement that we are virtually exempting the middle class from taxation under our income and inheritance laws.

I wonder if the committee will pradon me for just 2 minutes while I run over the figures in that connection?

The middle class of America must just simply face their duty in these matters.

I will not read the French and German figures. I will give you the English figures. These are income-tax figures.

With a net income, taking such a childless married couple as I have referred to, in the United States—with a net income of $1,000, there is no payment.

In England, a similar couple would pay about 1 percent.

Taking a $2,000 income in the United States, there is still no payment. In Great Britain it is 5½ percent.

A $3,000 income in the United States, under the latest statute, makes a payment of $20. The payment in England is $311.

A $5,000 income in the United States makes a payment of $100; in Great Britain the payment is $711.

A $7,500 income in the United States pays $255; in Great Britain, $1,222.

A $10,000 income in the United States for this couple, pays $480; the payment in Great Britain is $1,862, or 18.6 percent.

I will jump some figures now.

Taking a $25,000 income in the United States, the rate is 10 percent; in Great Britain the rate is 29½ percent.

A $50,000 income in the United States pays at the rate of 17.2 percent and in Great Britain 45½ percent.

A $500,000 income in the United States pays a tax of 52.7 percent and in Great Britain 62.4 percent.

Indeed it is not until we reach what I may call the skyscraper incomes that the figures are almost identical, where we can be said to approximate the taxes levied in these other countries.

If this seems something of a kindergarten discussion, I hope you will pardon it for the very brevity of the remarks.

The United States, no more than France or Great Britain or Germany, can live on skyscraper taxation. Yes, tax the millionaire 50 percent, if you can get it—and I think perhaps you can in most instances. But New York City could not live on skyscraper taxation. New York City is not a 50-story town. It is not a 25-story town. It is not a 10-story town. It is probably a 5-story town. And when middle-class taxation is sacrified in any field of necessary revenue, you are sacrificing the Government, or you are so crippling it that it cannot perform its obvious, natural and fundamental duties. And that is what we are doing in the United States.

We of Congress may be said to represent the middle class. I hope it is only an accidental coincidence that the middle class is exempted from taxation under these income-tax laws.

May I just give you a few figures on inheritance taxes?

Mr. WOLCOTT. May I interrupt you at this point?

Mr. LEWIS. Surely.

Mr. WOLCOTT. Do you think it is just to any class in the United States to impose an obligation upon them whereby their taxes would have to be raised to correspond with those levied in Great Britain?

Mr. LEWIS. I would not go that far, and it would not be necessary to go that far. But let me say to my friend—and this may sound demagogic, but it is not—my own life experience goes back to a time when to make $50 a month meant something. And that also was true of my ancestry. I am not kidding myself about the situation of a couple that has $3,000 net income and no children. We should not kid ourselves about it. A couple like that is getting more out of the world than George Washington got. In many instances they are living in homes much more commodiously furnished than Mount Vernon itself. Certainly, taking into account the pleasures and comforts of life, a millionaire of his day could not have lived as a man and his wife can now live on an income of $3,000 a year.

Of course, this gentleman with his $3,000 income or his $4,000 income or his $5,000 income still thinks he ought to be exempt from the payment of taxation, and he virtually is under our income tax law, but he fools himself with the idea that he is making this income, that it is his, and that it comes from his own fine initiative and his contribution to the world. He is forgetting that it is not due to him, but only in a very small part. It is due to his big brother, civilization. Without that big brother, without that partner, there would be no $5,000 income. Without civilization we would be down at the brook, or he would be, trying to catch a fish perhaps for himself, and if he had a family sense of obligation, for the family.

We owe these $3,000 incomes and $4,000 and $5,000 and $10,000 incomes, to the great system of civilization in which we are privileged to live—not to ourself.

And what institution, my fellow Congressmen, is it that gives us, that supports us in and continues and maintains that civilization? Government. Sometimes the system does it less well, sometimes it does it better. But without government there would be no civilization and there would be none of these finer incomes that now, as I say, give comforts and pleasures and enjoyments in life that George Washington, could not dream of.

Mr. STOKES. Mr. Lewis, if you have finished that point, may I ask you a question?

Mr. LEWIS. I am through with that thought, yes.

Mr. STOKES. Undoubtedly, your suggestions to reduce the income-tax base are very excellent; but is it fair to us——

Mr. LEWIS. It is not a question of reducing the income-tax base. That is just a misnomer, to make a man go through 3 days work to prepare one of those reports as to his income and then find that he owes the Government $3.14.

Mr. STOKES. This is the point I am trying to bring out. Is it fair to the small income-tax payer or to the man of small income to pay a tax when the wealthy men, three quarters of the millionaires of this country, do not pay any tax at all?

Mr. LEWIS. You mean that they dodge the tax?

Mr. STOKES. I mean that they invest their funds in tax-exempt securities.

Mr. LEWIS. That is another problem, and I trust you will take it in hand, and I will help you the best I can.

Mr. STOKES. The majority of these big incomes are free of tax.

Mr. LEWIS. If you took all of the incomes in this skyscraper class of incomes, you could not maintain the Government of the United States. It requires the support of the middle-class population as well, and that class is now exempted from taxation.

Mr. WOLCOTT. It has been quite generally conceded, Mr. Lewis, I believe, by people who have studied the English system, that the reason for high-income taxes in Great Britain is the dole system which they have over there. Without going to the merits of this particular bill—in fact, I am very much in favor of the principle of it—do you not think this is perhaps the beginning of a system which might result in our having to levy as high income taxes in proportion to our incomes as they levy in Great Britain to take care of that system?

Mr. LEWIS. If it is necessary in order to protect human beings who are the least responsible, if responsible at all, for the economic flight in which we find ourselves, yes—one thousand times yes.

Mr. WOLCOTT. I quite agree with you as to that, but do you not think that in view of the fact that 90 percent of the goods which we manufacture and produce in America are consumed in America, the same result could be secured by protecting the domestic market a little more than it is being protected at the present time?

Mr. LEWIS. Well, there are two kinds of political magic that are terribly active in Washington these days. You have mentioned one of them. You can do anything with the protective tariff. I will not mention the other.

Mr. BUSBY. Mr. Chairman, if the gentleman will permit me to go along with him on this situation that exists in England under the dole system or the poor laws or the contributions to the public, a great deal of interest has been manifested in just what we may expect by way of reaction from this type of procedure on the part of the National Government. I hope you will permit me to read these few words I have before me, because I want to ask perhaps Mr. Payne and some of the other gentlemen concerning that situation.

I am reading from a book the title of which is, "The 19th Century—A History", by Robert Mackenzie. It covers this point so thoroughly that I think it is well to quote from it, that we may get some insight into the practical operations of this type of procedure. [Reading:]

> The evils of pauperism in England had become unendurable, and it was felt that some attempt to remedy them could no longer be delayed. According to the wise practice which about that time came into frequent use, a commission of inquiry was appointed, that legislation might be based on competent knowledge. The investigation of the commissioners revealed a system "destructive to the industry, forethought, and honesty of the laborers; to the wealth and morality of the employers of labor, and of the owners of property; and to the mutual goodwill and happiness of all." The enormous cost of the system—nearly eight million sterling—was not by any means its most serious aspect. It was achieving with appalling rapidity the utter demoralization of the English peasantry. Already the wholesome repugnance to accept the pauper's dole had become almost extinct. In some counties men refused to work, as they preferred the easier and ampler maintenance of the parish. Wages were supplemented from the rates, and in consequence fell so low that they ceased to yield support to the laborer. There were whole parishes in which the laborers were paid partly by their employers and partly from the rates. There were other parishes where cultivation actually ceased, because the revenue yielded by the land was not equal to the sum extracted for support of the poor. Relief was demanded as a right, and in some counties was avowedly given to all who applied. Pauperism had become hereditary. Once conceded to the applicant, the privilege was continued during life, and transmitted to his idle and debased progeny. Money thus acquired

was spent freely in vicious indulgence. Tradesmen bribed the parish officers to obtain for them contracts at unjust prices. The parochial administration with fatal rapidity was corrupting the poor, and consuming the substance of the rich.

I have read to you the experience of one nation which has had this problem repeatedly before it and which has given to us the inkling of the way to begin to dissipate the national wealth through channels that will degrade the people themselves. I want to say that I am wholly in sympathy with feeding the poor and the suffering, but I think that the system that you are initiating here, of asking $500,000,000, is the wrong system.

Mr. LEWIS. That is a gratuity. You are speaking about the system which we are initiating. We are doing just what you mentioned a moment ago, feeding the hungry of the moment. The problem of unemployment and of the dole are separate problems to which, I may say, I have given several years of work and thought and on which I have a bill pending before this body, and I should be glad to take them up in the light of all the experience the gentleman has had and of all his enlightened reading.

Mr. BUSBY. This is the experience of a nation, not my own experience.

Mr. LEWIS. But what you are speaking of now is irrelevant to the actual situation in which human beings are lying on the roadside hungry and sick. The duty of the Samaritan is clear, and we are the Samaritans.

Mr. BUSBY. May I interrupt to say that I have had many letters from my home State, which has a large proportion of colored people, telling me that they cannot get some people to accept employment as long as they received these sacks of flour from the Red Cross, which the Red Cross gets from wheat donated by the Government to that agency. I know that it is having some effect.

Mr. LEWIS. That, of course, is a very awkward human circumstance.

Mr. BUSBY. I am merely calling attention to it for what it is worth.

Mr. LEWIS. And it is one not easy to deal with. The courts agree that it is better that 9 guilty men escape than that 1 innocent man suffer. I would not put the proportions perhaps as strong as that, but I will take the same principle that it is a good deal better that there should be some imposition on this fund by a delinquent here and there than that a lot of worthy people without any fault or responsibility of their own should suffer.

Mr. FARLEY. Mr. Chairman, I assume that my honorable colleague, Mr. Lewis, has finished.

Mr. LEWIS. I am quite through; yes.

Mr. BUSBY. I should like to ask him some questions, if you will permit.

Mr. FARLEY. Certainly.

Mr. BUSBY. Mr. Lewis, do you really think that this will be the end of the requests made on the Government?

Mr. LEWIS. I hope that this Congress will be bold enough and wise enough to see that it is the end of it. And if they do what it is possible for them to do, it will be the end of it, so far as unemployment is concerned, because in my view, after much study of the situation, it is perfectly practicable to give each man his share of employment in the United States. And if that be accomplished, the dole has no reason for existence.

Mr. BUSBY. I have before me a statement of Mr. Roger W. Babson, in which he calls attention to the fact that the income of the people of this Nation has dropped from more than 80 billions of dollars down to less than 30 billions of dollars, and that the fixed charges that are eating up the taxes that could be collected from all the people would practically eat up all of the profits of all the people at the present time; and that there can no recovery until this fundamental condition is dealt with. In the light of that, do you not believe it will be necessary next year or before next year to return and ask for another $100,000,000 or more to be appropriated out of the Federal Treasury to feed the starving of the country?

Mr. LEWIS. I shall be ready to do it, if it is necessary. I hope it may not be necessary. But the other human beings' right to live is as good as my right to live.

Mr. BUSBY. I warrant that.

Mr. LEWIS. This income that civilization gives me—I did not originate it—would be shared with him to the limit, if necessary.

Mr. BUSBY. I am not talking about that at all, Mr. Lewis. I am talking about the possibility of our getting somewhere with what we do. It is all right to act from the humanitarian standpoint, but I would like also that we act sensibly with regard to reason. I am for putting the two together and trying to bring about a situation that will result in an accomplishment, and not merely in giving a fellow a plate of soup or some bread today, and then perhaps some soup and bread tomorrow.

Mr. LEWIS. I do not think that your heart is different than mine, but you have a theory on this problem, while it is a practical condition that presents itself now, and not a theory. Let us take up your views and my views and these other views and as quickly as possible see what can be done in the way of a permanent remedy.

Mr. LUSBY. That is all.

Mr. LUCE. May I ask one question of Mr. Lewis?

Mr. LEWIS. Yes.

Mr. LUCE. I am wondering, Mr. Lewis, if you want to stand by one phrase that you used, when you spoke of the fetish of State sovereignty.

Mr. LEWIS. Yes. I am not responsible, gentlemen, for this departure. If there has been any one misnomer or misstatement in the history of this Republic that has done more harm even on occasions like this, in the consideration of legislation, than another, it has been that fetish.

Only one State in this Republic can claim that at any moment in its history was it sovereign and that is the State of Texas. No other State belonging to this Republic ever had a moment's sovereignty. It never had the right to make treaties; it never made any treaties. It has always been under national authority and under a degree of national superintendence. To talk of any State in American now as being sovereign is just simply to misuse the English language.

Now, one would not complain of that if it were mere sentiment on the rostrum, but when it is introduced here to excuse the National Government from performing high national duties, then I do repudiate it and repudiate it with the utmost emphasis, Congressman.

Mr. LUCE. I have particularly in mind bringing out from you whether your observation agrees with mine, that when public funds are to be expended, they are expended more efficiently and more

economically and more wisely by State governments than they are by the Federal Government?

Mr. LEWIS. Well, that is a question of fact upon which I have no doctrine to utter.

Mr. LUCE. I mean from your own observation, from your own experience.

Mr. LEWIS. I think the tendency unquestionably for the mass of ordinary civil employees is to receive smaller salaries from the States than the Federal Government pays.

But when, again, you come to one particular institution, as I do, having given some considerable time to its study, the postal system of the United States, I want to say that no public money in the world, with one exception that I will not note now, is expended with the same economy and the same efficiency as your appropriations to the Post Office Department.

Mr. LUCE. Do you think we have been unwise in putting local responsibility first?

Mr. LEWIS. Wherever the problem is local, I think the first responsibility is there.

Mr. LUCE. Our own experience in our own State is that we get better results under local responsibility than we do by letting those things go to the Nation.

Mr. LEWIS. Surely, when the problem is a local one, and the interest to be considered is a local one, I agree with you.

Mr. FARLEY. Mr. Chairman, these hearings have been very enlightening. We have had some very excellent people here from various sections of the country and they have contributed very largely to our knowledge of the situation and helped us in determining what we ought to do in reference to this measure. I think we are wasting a little time right now and we should not continue much longer. I desire, therefore, to move that the hearings be terminated and that the committee go into executive session on the bill.

Mr. SISSON. I second the motion.

The CHAIRMAN. I was going to suggest that perhaps by unanimous consent, when the hour for the meeting of the House arrived, we close the hearings and meet in executive session this afternoon, say at 2:30 or 3 o'clock, to begin the reading of the bill. That is what I had in mind. I hope the committee, if it is agreeable to you gentlemen, will follow that suggestion.

Mr. FARLEY. I am quite agreeable. I should like to say only that we need action now.

The CHAIRMAN. I am not sure but what we might terminate the hearings right at this point.

Mr. BEEDY. Mr. Chairman, I should like, if I may, to ask Mr. Burns a question. I wish Senator Costigan were here, but he is not. I should like to ask this one question of Mr. Burns.

The CHAIRMAN. Do you withdraw your motion for the moment?

Mr. FARLEY. Yes.

Mr. BEEDY. I call your attention, Mr. Lewis, to section 4 (a) of this bill which provides:

> Out of the funds of the Reconstruction Finance Corporation made available by this act, the Administrator is authorized to make grants to the several States, to aid in meeting the costs of furnishing relief and work relief in the form of money, service, materials, and/or commodities to provide the necessities of life to persons in need as a result of the present emergency, and/or to their dependents, whether resident, transient, or homeless.

That is the heart of the act. My attention has been called to the fact that under the provisions of that section the tendency will be for States to use practically all the allotments made to them for direct relief purposes without actually providing work and I wondered if anybody had called your attention to the desirability perhaps of making it a condition precedent to realizing on this fund by States that they certify or furnish evidence of the fact that they have created a work developing board within their own States so that instead of the relief coming direct to the people in the form of a gift, it might be that the relief would come through organized work as provided by the State board.

That appealed to me as a constructive suggestion, and if there is to be demoralization, it would be averted or at least minimized by constructive provisions for work through State boards before any State could come in and get its relief.

Mr. BURNS. As I indicated last week, I am strongly in favor of work-relief methods in helping the unfortunate who are now unemployed. I am sure we would not want to provide as definite and rigid a requirement as that there must be a State board of work relief. States have set up various agencies and methods for dealing with this problem.

Mr. BEEDY. To save time, if that does not appeal to you, would you object to a provision that would limit the percentage of relief, or that would require the State to see to it that a certain percentage of the relief which they secure, whether through boards or otherwise, is expended in relief work?

Mr. BURNS. In section 5 I should think that among the data that the bill might require the State to submit to the Administrator in making application you could add "their plans for work relief."

Mr. BEEDY. That might not be harmful, but what I am getting at is that it would leave the door wide open still for direct relief 100 percent, and I was wondering if you do not want to compel each State to set up a board, which perhaps might be unreasonable; they may have some other way of handling it—if it would not be a wise limitation to impose upon each State receiving relief to certify that in the use of that money they guarantee that 20 percent or 30 percent or whatever was thought wise, be used in work relief rather than in direct relief.

Mr. CAVICCHIA. May I offer a sugestion there, Mr. Beedy?

Mr. BEEDY. Yes.

Mr. CAVICCHIA. I do not know whether you have any large cities in your district or not, but I come from a city that has approximately half a million inhabitants.

Mr. BEEDY. My largest city has 100,000.

Mr. CAVICCHIA. We have over 30,000 people out of work. If your suggestion were put into this bill, it would not do us any good, and I hope you will not press the point. The city of Newark, where I come from, has kept busy some 6,000 people, giving each man two days' work, in return for the tickets that they get for $6 worth of groceries per week. That allows them $3 per day.

Our County Park Commission has something like 2,500 or 2,800 people working in the county parks. But that only takes care of a very small portion of the unemployed.

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If you were to have a provision in here that as a condition precedent to their getting relief they be supplied with work, I assure you you would only be adding to the misery already existing in these large industrial cities. It would not be helping them.

Mr. BEEDY. It is your feeling, then, that every effort has already been made to launch such public works?

Mr. CAVICCHIA. Speaking of my own State of New Jersey, yes. We have a State chairman of emergency relief, and he is in touch with the communities who have a similar local man looking after the work. I feel that the State of New Jersey is so well organized that if this was to become law, there would be no difficulty, so far as the Federal administrator working hand in hand with the people that we have there, is concerned.

Mr. BEEDY. But you would not want it made compulsory?

Mr. CAVICCHIA. I am afraid you would be doing more harm than good.

Mr. BEEDY. For instance, if your State should come in for $100,000, we will say—it would come in for more, of course—you would not want to have it as a condition precedent that $20,000 at least of it would be used in public-work relief. You think your local agencies could not use it that way?

Mr. CAVICCHIA. I am afraid they could not supply the work for the immense army of unemployed.

Mr. BEEDY. I am not talking about the whole army of the unemployed, but I am only talking about one fifth of the amount that you might receive being used in work relief.

Mr. CAVICCHIA. That is being done already, so why encumber the record with a needless provision?

Mr. PRALL. After all, Mr. Beedy, would not the mechanics of this thing be carried out by the governors of the States? Could you have any commission that could take care of this more efficiently than the governor of the State through whatever State agencies may exist for that purpose now?

Mr. CROSS. Why not insert "where practicable", or "where work could be furnished"?

Mr. BEEDY. Of course, Mr. Prall, reverting to your question, we come back to the question of what is the policy of the particular governor and whether he believes in work relief.

Mr. PRALL. Do you think we ought to tie down a governor, who knows the conditions of his own State, with legal phrases? I do not think that is necessary at all. You have an emergency here, and if you tie this up so that it is not workable or that it is only workable by a fixed yardstick, you are hurting more than helping.

Mr. BEEDY. None of us want to do that, but the argument offered against the principle of this bill is that it might demoralize your people; you bring them to the point where they do not want to work, and if you can get your portion of the relief and at the same time have them do some work, it might meet that objection.

Mr. BURNS. Mr. Chairman, I have not finished the anwwer to this question yet.

Mr. BURNS. I have not finished the answer to this question yet. It seems to me the principle of the bill is what was indicated. I believe that that principle would meet the situation better than to try to tie down to specifications how this relief shall be worked. I am for switching in the bill in any way that is practicable the insistence on the conviction that work relief shall be a part of each State's plan.

Mr. REILLY. Is it not true that the matters Mr. Busby mentioned can be worked out under the bill as it is written?

Mr. BURNS. Yes, sir; I believe they can be.

Mr. FARLEY. In your opinion, are the State agencies already set up for handling relief of this kind now adequate to handle the situation?

Mr. BURNS. By and large; yes.

Mr. SPENCE. I just want to ask this question. In the act for relief there is this statement, "Relieving the hardships resulting from unemployment", and in the title of this bill the same language appears. But that is left out in the section (sec. 4) after the word "relief."

Mr. BURNS. Yes. I had nothing to do with the drafting of the bill.

Mr. SPENCE. I understand after that was inserted, it was understood that it would liberalize the terms of the bill; and certain things could be done that were thought advisable that could not now be done as the act was written?

Mr. BURNS. I cannot say that that is true. I cannot say that the result of unemployment is nearly as broad as the wording of the bill.

Mr. BUSBY. It has been held that that is bad for the idea of the Reconstruction Finance Corporation?

Mr. BURNS. I do not agree with that.

Mr. BUSBY. Under the terms of the bill, after October 1 next, it would be possible for one State to take down $75,000,000 if it made any showing at all?

Mr. BURNS. We will say a balance of $75,000,000 after what it had received before October 1.

Mr. BUSBY. It is entirely probable that all States will make a rush for their respective portions of it, is it not?

Mr. BURNS. I agree with you.

Mr. BUSBY. As to what the State would get would depend on the administrator. So the administrator of this is practically the controlling factor as to where the money goes and the types of relief it will be used for?

Mr. BURNS. After October 1.

Mr. BUSBY. The representatives of the people have no control over it after October 1?

Mr. BURNS. That is true, the President and the administrator.

The CHAIRMAN. May we, with unanimous consent, terminate the hearing and meet at 2:30 o'clock this afternoon in executive session?

I think it important that we close the hearings and read the bill for amendment. I think it desirable there should be no further delay. Let me say that I appreciate the viewpoint of members of the committee who hesitate to support this legislation. All of us regret the situation which necessitates such a position. I am sure no one regrets it more than I do, but we have millions of people idle whose families face hunger. I think it is the duty of statesmenship to find methods of relief; to offer legislation that will relieve general conditions and bring about a revival of business to the end that citizens who desire to work and support their families may find an opportunity to do so. Honest, industrious, law-abiding citizens have a right to expect a leadership that will point the way to afford opportunity for employment. Until that is accomplished I desire to say that I am ready to go the limit in the effort to furnish relief from hunger. So

I hope we may be able to report this bill favorably. I ask unanimous consent that the hearings be terminated and that the committee meet at 2:30 this afternoon to consider the bill in executive session.

(This was agreed to.)

(Thereupon, at 12 o'clock noon, the committee adjourned until 2:30 o'clock p.m. of this day.)

STATEMENT SUBMITTED IN WRITING BY SENATOR ROBERT M. LA FOLLETTE, JR., AND AUTHORIZED TO BE INCORPORATED IN HEARINGS ON H.R. 4606

There are between twelve and fifteen million unemployed persons in the United States today. The longer the depression lasts the greater the load becomes upon relief. This is due to two causes; the exhaustion of the resources of the individual, and the shrinkage of resources, public and private. Funds raised from private sources rose tremendously in the early stages of the depression; but, despite heroic efforts, they are rapidly becoming an insignificant factor. Available statistics indicate that private funds are now meeting only about 10 percent of the burden. In my judgment this does not reflect an unwillingness to be generous. It is due primarily to diminishing income and to some extent to the fact that private contributions are more readily available to meet an emergency, but tend to decline when the need extends over a period of years.

While we unfortunately still have no comprehensive figures showing either the number of persons in absolute need of relief, or even the number now receiving relief, the fragmentary statistics available to us show the appalling extent of destitution in the United States. As Miss Frances Perkins pointed out last Friday, it is known that over 4,000,000 families and 600,000 single persons are dependent upon public relief in sections which embrace three fourths of the country's total population. The growth of the number needing assistance as their own resources have become exhausted is shown by figures for 125 cities, containing 24 percent of the country's population.

In January 1931, these cities had 450,000 families on relief; in December 1931, there were 696,000; in November 1932, 892,000; in December, 962,242, and in January the number had grown to 1,017,646. Figures for individual cities show the same increase. Pennsylvania officials testified in January that the number of families to which assistance had to be given was increasing at the rate of 40,000 per month. In New York City alone the number of destitute families receiving either work or home relief increased from 113,791 families in January to 140,606 in February, while in the entire State the number grew at almost the same rate, so that by the end of the month about 1,250,000 individuals in that one State alone were dependent for their very existence upon the help given them by public agencies. And the story for other parts of the United States is very much the same. In North Carolina, for instance, the reported number of families aided grew from 147,640 in December to 177,788 in January; in New Jersey approximately 100,000 families were entirely dependent in January; in Wisconsin more than 80,000.

The fearful inadequacy of the relief now available to the distressed people of this country can be illustrated by a few quotations from the hearings on unemployment relief held only two months ago. All available information indicates that the situation has changed, if at all, for the worse. Relief does not meet the minimum standards set up by competent authorities as necessary to sustain life and preserve health and morale. I have only to cite a few examples. Mr. William Hodson, executive director of the Welfare Council of New York City testified:

"We have not been able thus far to provide adequate relief. We have prevented families from starving to death and have met, in part, the most urgent distress. Beyond that we have not attained a standard which is adequate."

Mr. Samuel Goldsmith, executive director of Jewish Charities in Chicago, testified:

"We have been engaged in a great biological experiment in Illinois. We have been experimenting with the minimum amount of money and food that will keep people fairly healthy."

Mr. Calvert Estill, director of public welfare in West Virginia, tells the story in a few words:

"The funds available both from Federal and local sources have been just about sufficient to maintain the families and keep them from starvation, nothing except food, practically no clothing, and no rents."

Relief ranges from as little as $5 and $6 a month for food relief, supplemented by a few miscellaneous items, such as wood, flour, and vegetables, to $10 and $12 per week for a family of five persons in some of the cities of medium size that have more adequate funds. In general between $15 and $20 a month per family would be the total average relief. If a minimum budgetary standard, including food, clothing, rent, light, heat, and medical care were to be given, it would be necessary to double the present total relief expenditures.

It hardly needs further argument to demonstrate that the standard of relief has been lowered beyond the danger point. Of course, it means undernourishment, not only for adults but for children. Dr. Appel, of the State Health department in Pennsylvania, reports an alarming increase in undernourishment of school children. It has arisen from 10 percent 3 years ago to 28 percent today. Lack of funds for shoes and clothing is not only causing suffering among the adult unemployed, but in many instances children are unable to attend school. Mr. Pickett, of the Friends' committee, reports that warm clothing is practically nonexistent in the coal-mining areas where he has been at work.

The lack of sufficient funds has made it impossible for the agencies to supply fuel except in emergency cases. The meager funds do not allow for the payment of light and gas bills. The testimony is replete with statements that the use of kerosene and candles was resorted to because it was cheaper.

The inadequacy of relief funds has resulted in an almost universal policy of paying rent only to prevent eviction, and in many communities rent is only paid to secure new quarters for the family for 1 month. This policy has resulted in overcrowding. It has contributed greatly to the ever-mounting tax delinquencies in cities, thus diminishing the resources of those cities. It is not at all uncommon for landlords who own considerable rental property to be forced to apply for relief because they have no income, due to inability to collect rent. The overcrowding is producing behavior and delinquency problems which are a menace to family life.

Dr. Billikopf estimates that there are 50,000 families who have not paid rent for periods ranging from 6 months to 2 years in Philadelphia. Speaking of the situation in Chicago, Miss Edith Abbott said:

"The policy of the relief offices is to pay 1 month's rent in advance to get the family in a new flat. Then the story begins all over and over again, and families move and move. We have had families that have moved as many as 10 times in a year. * * * I remember one little boy in court (renters') and who was very much surprised and a little disturbed by it, and he said, 'We are just like gypsies, always moving all the time.' And that situation, as I have said, is very demoralizing to children."

Even this semistarvation relief that is being provided in the United States is being given only after the applicant has been carefully investigated, and it has been found that he and his family have been stripped of all their worldly possessions. To my mind, the period of pauperization through which a family must pass before it is considered eligible to receive any relief at all is one of the most appalling aspects of the situation.

The testimony shows that men who have been through this process of degradation and have had to subsist on these low levels of relief are no longer capable of a full day's work. Their physcial stamina and their skill are gone. Time only will demonstrate whether it can ever be regained. Today, more than a tenth of the population on this level, but the number is mounting at the rate of hundreds of thousands a month. Unless the standards of relief are raised, what is to become of the vaunted skill and productive capacity of the people of this country?

In the passage of the Emergency Relief and Construction Act last year we recognized that the Federal Government had a responsibility for unemployment relief, but we did not provide any contribution from the National Government to discharge it. We permitted the Reconstruction Finance Corporation to act in the capacity of banker loaning funds to the States and municipalities to meet the staggering burden of destitution relief.

Regardless of the theories relating to the responsiblity of the various governmental units in coping with the relief problem, the evidence now shows without doubt that unless the Federal Government assumes a part of the burden relief will break down.

I have never been able to see upon what ground it can successfully be maintained that the problem of unemployment relief in a Nation-wide economic

collapse is solely the responsibility of State and local governments. Modern civilization has created an entirely different problem than existed before the industrial revolution. The theory that relief is only a local responsibility has become embedded in our thinking and our law because before the industrial revolution poor relief was administered in England by the village. The specialization and integration of industry have resulted in its concentration. Relief becomes in part a national problem and responsibility just as our industrial organization has become Nation-wide in character.

It must be obvious that the concentration of industry and commerce has been attended by a like concentration of wealth and income. How can the financial burden of relief be carried alone by the local communities under such circumstances? It may be argued that the States with the greatest concentration of wealth and income are the States that have the heaviest burden of relief, but it requires only a casual study to demonstrate that the State governments are in no position to tap the resources in their respective jurisdiction. Five States—Massachusetts, New York, Pennsylvania, Illinois, and California—have 36 percent of the wealth of the Nation. New York has made an heroic effort to meet the problem of unemployment relief, and yet today the richest State in the Union finds it necessary to appeal to the Federal Government for assistance.

The same situation is presented in States where the wealth and industry is concentrated in a few counties. Would anyone contend that because of this situation the State has no responsibility and must not act to tap, insofar as possible, the resources of these counties to provide for unemployment relief in the other sections of the State?

Even though taxes are collected in certain particular States, they are derived from the products of the Nation as a whole. Take internal-revenue receipts as an example. About 54 percent is collected from the five States just mentioned. These taxes include income, estate, distilled spirits, and tobacco. For an illustration, take the revenue from cigarettes: About 62 percent is collected in North Carolina. It just happens that North Carolina has become the center of the cigarette industry. Can anyone claim that this revenue is due to the wealth or income of that State? Of course not. It is produced by cigarette consumption all over the United States.

To those who still cling to the theory that relief is a local responsibility, I answer that we are no longer confronted by theories. We are confronted by the most appalling total of human misery in the history of any country in the world. Municipal resources are inadequate to meet the problems any longer. Take the situation of 279 municipalities given in January. They have raised their levies for relief from $42,000,000 in 1929 to $87,000,000 in 1932. During this period tax delinquencies in those cities have been rising at an alarming rate.

In other words, as the load increases, the resources to meet it decline. If we permit these two curves to go on separating for an indefinite period only bankruptcy and default will result. In the meantime other services rendered by these local units of government are impaired. Health, fire, and police protection and the operation of schools are threatened. To continue the present system of relief will in the end contribute to a breakdown of municipal government.

The same situation concerning resources is confronting the State governments. Like the cities, the States are largely dependent upon real-estate taxes for their revenue.

The argument will no doubt be made that a contribution by the Federal Governiesnt will lessen the activities of private agencies, local, and State governments. This has not been our experience with other Federal-aid legislation. On the contrary, the participation of the Federal Government has without exception in every instance acted as a spur upon the contributions of State and local governments. I need only mention the results in Federal aid for roads, vocational education, eradication of pests, and maternity and infancy care to give but a few of the examples. The experience in the various States that have contributed to the unemployment relief funds likewise demonstrates that action by another governmental unit does not result in the local governments shirking their responsibility. The same argument that was made in the Senate against the pending bill before the House was made in the States against action by the State governments; and yet in New York State the opposite result has been demonstrated. I quote from the director of relief in New York, Mr. Hopkins, who was appointed by President Roosevelt:

"The CHAIRMAN. I would like to have you amplify your statement that the funds provided by the State of New York did not result in any relaxation of activity on the part of cities and counties. Many persons have criticized any action by the Federal Government based on the theory of grants in aid, on the ground that it would cause the cities, counties, and States to wash their hands, so to speak, of the relief problems, throwing it all on the Federal Government.

"Mr. HOPKINS. Well, that certainly has not happened in New York. Why it has not happened, I think is probably due to two reasons. In the first place, when the States come to the assistance of the local community the problem is so acute, it is right on the public officials' necks in the towns and cities; therefore, they do not stand on ceremony and say, 'We will not do our share, and if the State does not come in we will not take care of them.' They have to take care of them. The second reason, I think, was the policy of the State to say, 'We will help you; we will go a long way with you. If you are bankrupt and broke, we will finance the whole business,' as we have done. We talked with the public officials and put this relief plan on the ground of a great public service, and we found that the bankers and public citizens in the various cities are more than willing to meet us half way. I am convinced that the Federal Government, with half a billion dollars a year, could get a similar amount from the cities, counties, and States throughout the country. I think it is a matter of how the relief funds are administered."

The bill S. 812 was carefully drafted to provide, until the time when measures to restore employment can become operative, more effective Federal assistance to the States in coping with the present emergency growing out of the general prevalence of unemployment over a period of more than 3 years and the consequent exhaustion of the State and local resources previously available for relief purposes. The steps proposed by the bill to meet this immediate and urgent situation are (1) the provision of an additional $500,000,000 to continue Federal aid for unemployment relief; (2) the substitution of definite grants in aid for the present system of loans or advances reimbursable to the Federal Government; and (3) the temporary establishment of a Federal Emergency Relief Administration to supervise the making of grants to the States and to working toward a constructive solution of the relief problem.

The $500,000,000 newly authorized by this bill, in addition to the unobligated balance of somewhat over $55,000,000 transferred from the funds made available last July by the enactment of the Emergency Relief and Construction Act of 1932, is to be used for grants to aid in furnishing relief in the following manner: It is proposed that the Federal Government assume definite responsibility for one third of the expenditures in each State, Territory, and the District of Columbia, for emergency relief out of public moneys from all sources. The sum of $200,000,000 is set aside to permit the discharge of this obligation on a quarterly basis. The balance of the fund made available, except the amount required for administrative expenses which are limited to $350,000 out of the total fund, is to be used for supplemental grants in areas in which a Federal contribution of one third of the total load would still prove insufficient, because of the absence of sufficient state or local resources, to make adequate provision for the relief of those in need.

Supplemental grants may also be made, to States applying therefor and within the discretion of the Federal Emergency Relief Administrator, to make additional provision where necessary to meet problems caused by the presence in some States of large numbers of unemployed transients who have no legal claim on the State or the local community in which they happen to be, and to assist "self-help" associations established for the barter of goods and services.

Responsibility for the making of grants is vested in a Federal Emergency Relief Administrator, to be appointed by the President by and with the advice and consent of the Senate, and the life of the emergency organization to be set up is limited to a period of 2 years. The procedure governing applications by the States is defined in section 5. The Reconstruction Finance Corporation is in effect, under sections 2 and 6, designated as the Administrator's fiscal agent. Funds for the program proposed are to be obtained through the sale of the corporations' debentures or notes, subject to the limitation that additional debentures or notes for the purposes of this act are to be sold only with the approval of the President.

The provisions of title I of the Emergency Relief and Construction Act of 1932 are suspended, so far as the making of new loans is concerned, 10 days after the new organization has begun to function.

I fully realize that this bill is in no sense a solution of the economic problems which have created the need for unemployment relief. It is urgent, however, that hunger, disease, discouragement, and permanent degradation, be checked until effective measures for economic recovery can be adopted.

NATIONAL LEAGUE OF WOMEN VOTERS,
Washington, D. C., April 11, 1933.

Hon. HENRY B. STEAGALL,
Chairman House Committee on Banking and Currency,
Washington, D. C.

MY DEAR MR. STEAGALL: On behalf of the National League of Women Voters, I am writing to place before you the principal reasons for the League's support of H.R. 4606 which provides for cooperation between the Federal and State Governments on unemployment relief.

The members of our national board of directors and of the boards of the State leagues of women voters have studied with care the provision made by State and local governments for unemployment relief and the administration of the funds advanced by the Reconstruction Finance Corporation.

Our study has convinced us that the need for relief will be a major problem for the next few years and that the national character of the emergency warrants the use of funds from the Federal Treasury. We believe that grants to the States instead of loans are a necessary supplement to what the State and local governments can and should provide and that the administration of the Federal aid under the terms of the act will prove more productive than loans in securing assumption of responsibility by State governments and high standards of relief administration throughout the country.

We hope that the Committee on Banking and Currency will report the bill favorably and that prompt action by the House will be taken so that the country may as soon as possible benefit from the policy of relief administration embodied in the bill.

Sincerely yours,

BELLE SHERWIN, *President.*

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